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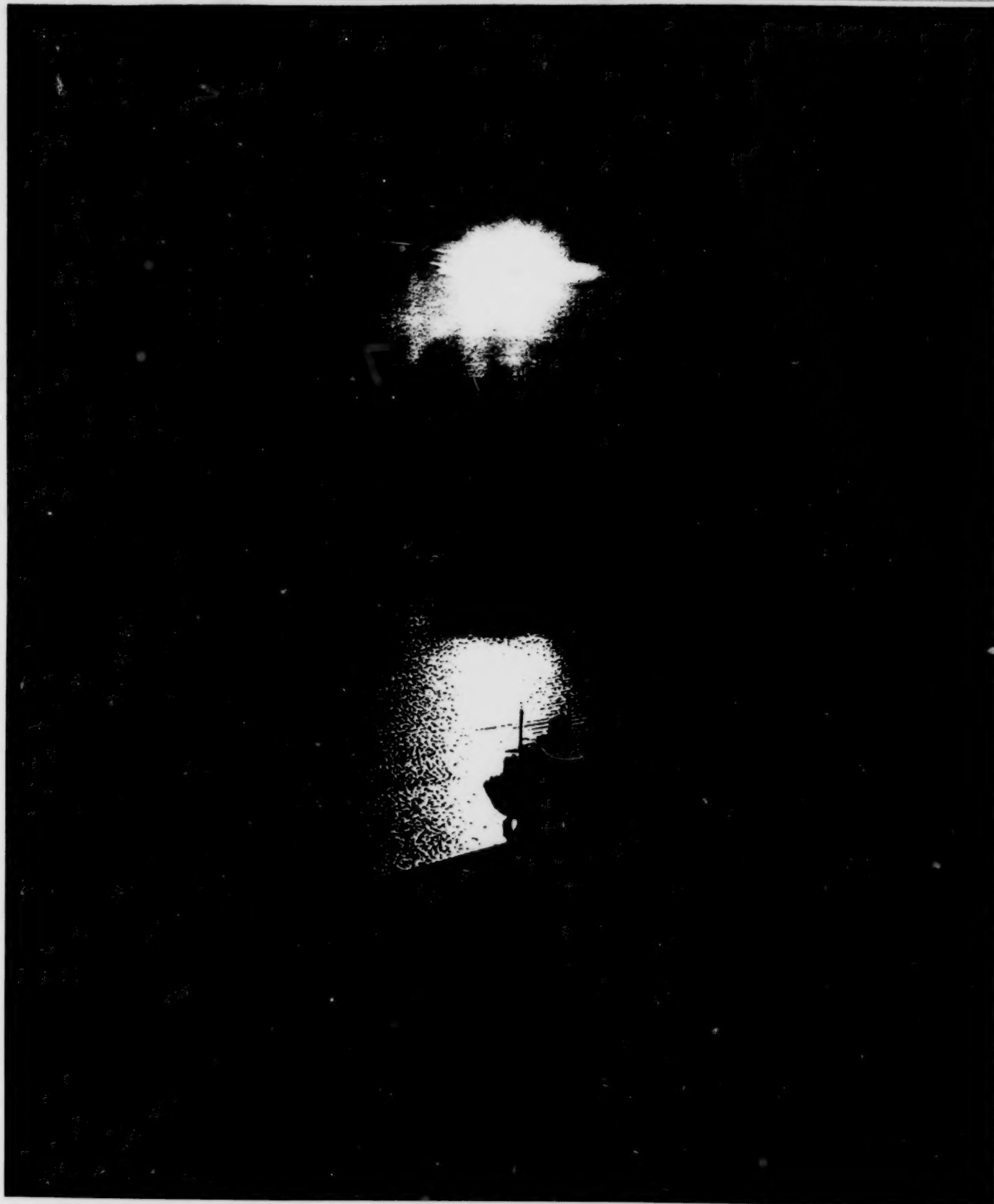
SONT DE PIÈTRE QUALITÉ DE REPRODUCTION

The Municipality of Metropolitan Toronto...
the first community in North America to
adopt, as a concept and a structure for local
government, a regional federation of municipa-
lities...

1986 Annual Report
of the Commissioner of Finance



METROPOLITAN TORONTO





*1986 marked the 100th anniversary of the formation of the Mounted Unit of the Metropolitan Toronto Police Commission.
The motto of the Metropolitan Police - "Prudence, Fortitude, and Justice" - reflects the Commission's philosophy in preserving
and enhancing the quality of life in Metropolitan Toronto.*

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THE METROPOLITAN COUNCIL

*CHAIRMAN C. Dennis Flynn

CITY OF TORONTO

*Mayor Arthur Eggleton
Councillor Frederick Beavis
*Councillor Joanne Campbell
Councillor Kay Gardner
Councillor Richard Gilbert
*Councillor Ben Gryś
Councillor Thomas Jakobek
Councillor Ronald Kanter
Councillor Jack Layton
Councillor Joseph Pantalone
*Councillor June Rowlands
Councillor Derwyn Shea

CITY OF NORTH YORK

*Mayor Mel Lastman
Controller Norman Gardner
Controller Howard Moscoe
*Controller Esther Shiner
*Controller Robert Yuill
Alderman Milton Berger
Alderman Irving Chapley
Alderman Mario Gentile
Alderman James McGuffin
Alderman Mario Sergio

CITY OF SCARBOROUGH

*Mayor Gus Harris
Controller Bill Belfontaine
Controller Frank Faubert
*Controller Ken Morrish
Controller Joyce Trimmer
Alderman Brian Ashton
Alderman Maureen Prinsloo

CITY OF ETOBICOKE

*Mayor Bruce Sinclair
Controller Leonard Braithwaite
Controller Lois Griffin
*Controller Dick O'Brien
Controller Chris Stockwell

CITY OF YORK

*Mayor Alan Tonks
Controller Fergy Brown
Controller Philip White

BOROUGH OF EAST YORK

*Mayor David Johnson
Alderman Peter Oyler

*Member of the Metropolitan Executive Committee.



C. DENNIS FLYNN
Chairman - Metropolitan Council



Metropolitan Toronto Treasury Department - Senior Management

*(from left to right: R. F. Gibbs, Director - Funded Debt and Investments;
C. S. Prasad, Director - Budget Analysis and Internal Control; J. W. Peat, Deputy Treasurer;
M. A. Brooks, Director - Accounting; J. L. Pickard, Commissioner of Finance and Treasurer)*

HEADS OF METROPOLITAN DEPARTMENTS

A. G. Andrews	Metropolitan Auditor
R. J. Bower	Commissioner, Planning
R. G. Bundy	Commissioner, Parks & Property
S. Cass	Commissioner, Roads & Traffic
J. H. Dean	Commissioner, Ambulance Services
P. E. Ferguson	Commissioner, Personnel
F. J. Horgan	Commissioner, Works
A. P. G. Joy	Metropolitan Solicitor
G. H. Rust-D'Eye	Metropolitan Solicitor (Effective May 1, 1986)
W. J. Lotto	Metropolitan Clerk
J. R. Picherack	Commissioner, Community Services
J. L. Pickard	Commissioner, Finance and Treasurer
D. E. Richmond	Chief Administrative Officer and Commissioner, Management Services

HEADS OF METROPOLITAN BOARDS, COMMISSIONS AND AGENCIES

R. D. Barbaro	Interim General Director, Metropolitan Toronto Zoo
C. White	General Manager, Metropolitan Toronto Zoo (Effective June 24, 1986)
C. Brown	Director and Secretary-Treasurer, Metropolitan Toronto School Board
C. E. Cutts	General Manager, O'Keefe Centre for the Performing Arts
J. Marks	Chief of Police
D. Meadows	Director, Metropolitan Toronto Library Board
F. Schwenger	Director, Metropolitan Toronto Library Board (Effective October 22, 1986)
M. Mooney	General Manager, The Guild
M. Mecke	General Manager, The Guild (Effective March 31, 1986)
N. Hornsby	General Manager, The Guild (Effective October 21, 1986)
D. Richmond	General Manager, Metropolitan Toronto Housing Co., Ltd.
C. Ruddell-Foster	General Manager, Licensing Commission
A. H. Savage	Chief General Manager, Toronto Transit Commission
W. Stockwell	Chief General Manager, Exhibition Place

ORGANIZATIONAL STRUCTURE

The Municipality of Metropolitan Toronto is governed by a forty-member Metropolitan Council, composed of a Chairman (elected by the members of Council) and senior elected members of the local municipalities.

The Metropolitan Council is supported in the decision-making process by the Executive Committee (composed of the Metropolitan Chairman and thirteen appointed Council members) and six Standing Committees (each composed of seven Council members). The Standing Committees consider, in detail, a wide variety of matters and make recommendations thereon, through the Executive Committee, to the full Metropolitan Council.

The operation of services for which Metropolitan Toronto is responsible are administered by a support staff composed of fourteen Metropolitan Departments, and various Boards, Commissions and Agencies.

Metropolitan Departments provide operational and support services as follows:

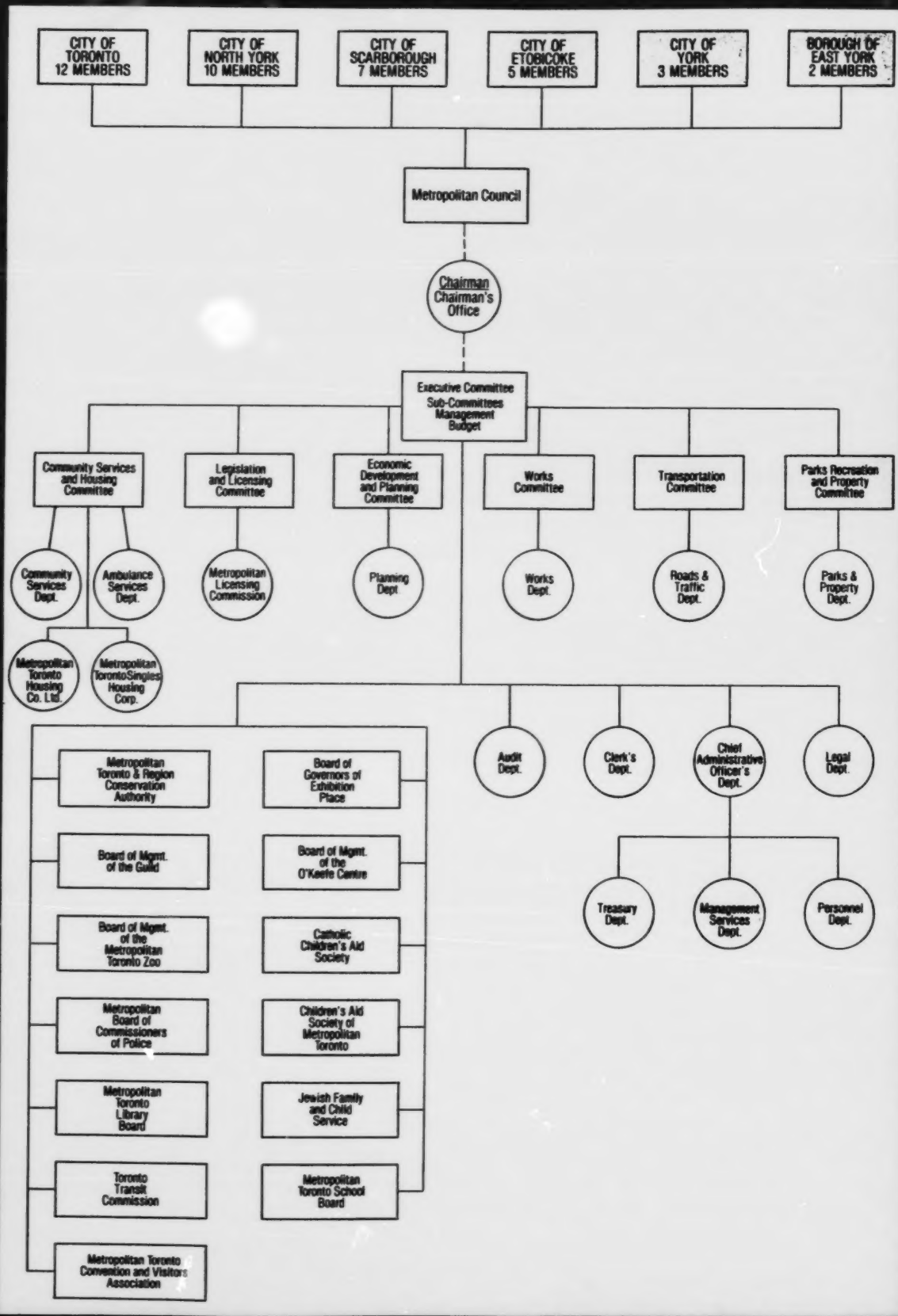
OPERATIONAL SERVICES

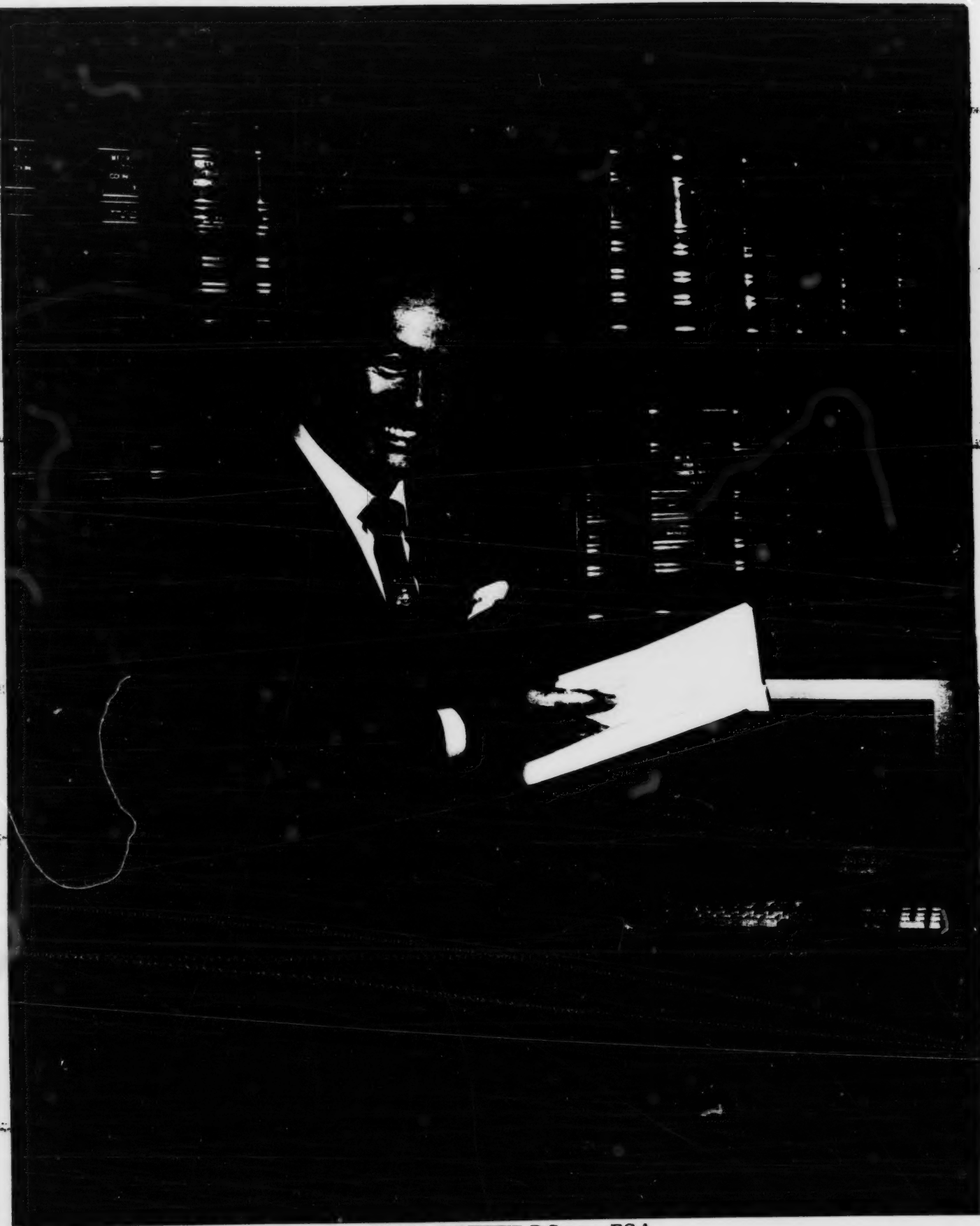
Ambulance
Community Services
 - Children's Services
 - Homes for the Aged
 - Social Services
 - Housing
Parks and Property
Planning
Roads and Traffic
Works

SUPPORT SERVICES

Audit
Chairman's Office
Chief Administrative Officer
Clerks
Legal
Management Services
Personnel
Treasury

Other Metropolitan Toronto services are administered, through Metropolitan Council, by the various Boards, Commissions and Agencies.





JOHN L. PICKARD, B.Comm., F.C.A.
Commissioner of Finance and Treasurer

The Municipality of
Metropolitan Toronto

Treasury Department

City Hall, West Tower, 10th Floor
Toronto, Ontario, Canada M5H 2N1

John L. Pickard, B.Com., F.C.A.

Commissioner of Finance and Treasurer

J. W. Peat, I.P.F.A., C.C.A.

Director of Financial Services and Deputy Treasurer

I am pleased to present the Annual Financial Report of the Municipality of Metropolitan Toronto for 1986 and to highlight some of the more significant financial and economic activities and events which occurred during that year.

INTRODUCTORY

GENERAL

The Municipality of Metropolitan Toronto was incorporated in 1953 as a regional government by an act of the Province of Ontario. Located on the north shore of Lake Ontario, it consists of six area municipalities, namely, the Cities of Toronto, North York, Scarborough, Etobicoke and York and the Borough of East York. Metropolitan Toronto covers 632 square kilometres, extending 40 kilometres along the north shore of Lake Ontario and 16 kilometres inland.

The Metropolitan area had a population of 2,130,938 at December 31, 1986, which represented approximately 8% of the population of Canada and 24% of the population of Ontario. The following table sets forth the estimated population of each of the Area Municipalities at such date:

	Population	% of Total
City of Toronto	591,027	27.7
City of North York	551,318	25.9
City of Scarborough	461,480	21.7
City of Etobicoke	297,389	14.0
City of York	132,673	6.2
Borough of East York	97,051	4.5
	2,130,938	100.0

Metropolitan Toronto was the first community in North America to adopt a regional federation of municipalities as a concept and a structure for local government. The governing

principle of the Metropolitan Corporation is that certain services common to the entire Metropolitan Area are the responsibility of the Metropolitan Corporation while, on the other hand, services of a more local nature are the responsibility of the individual Area Municipalities. This principle recognizes the need to unify those common functions which, in the interest of economy, effectiveness, and efficiency should not be fragmented, while at the same time allowing for local administration in matters of local concern.

In general, responsibilities are divided between the Metropolitan Corporation and the Area Municipalities depending on whether such function has been defined as "area-wide" or "local" in scope. Some examples of the exclusive responsibilities of each are:

METROPOLITAN CORPORATION

police protection
regional roads and expressways
public transit
solid waste disposal
water pollution control
water supply
ambulance services
social services
elderly persons' housing
regional parks

AREA MUNICIPALITIES

fire protection
local streets
garbage collection
local and neighbourhood parks
local parking lots
administration of civic elections
collection of property taxes

The operation, administration, and financing of the primary and secondary education system in the Metropolitan Area, except for the issuance of debentures and collection of the education levy, are the responsibility of school boards which are independent of the Metropolitan Corporation and the Area Municipalities.

ADMINISTRATIVE AND POLITICAL STRUCTURE

The Metropolitan Council, in exercising the legislative powers of the Metropolitan Corporation, approves policy and authorizes the raising of revenues and the expending of funds for the provision of services. It is composed of 40 members: the Chairman, twelve representatives from the City of Toronto, ten from the City of North York, seven from the City of Scarborough, five from the City of Etobicoke, three from the City of York and two from the Borough of East York. With the exception of the Chairman, Council members hold office by virtue of their elections to the Area Municipality councils. The Chairman is elected by members of Council from among or outside its members. Both the Chairman and the members of the Council have a three year term. The term of the present Council expires November 30, 1988.

The 14 member Executive Committee of the Council, as the chief administrative body of the Metropolitan Corporation, is responsible for the preparation and presentation of the annual estimates of revenues and expenditures and reporting to the Council on the operations of the departments of the Metropolitan Corporation and its local boards, commissions and agencies.

The organizational structure of the Metropolitan Toronto government is presented in further detail in the chart on page 11.

FINANCIAL STRUCTURE

The Metropolitan Corporation's principal sources of revenues are levies against the Area Municipalities, grants from the Province of Ontario, user charges arising from municipal services and certain other miscellaneous revenues. The operations may be classified into three groupings, and the basis of financing is outlined below:

GENERAL PURPOSE REQUIREMENTS, which include all Metropolitan departments, boards, commissions and agencies (except Water Supply) are financed from a general levy on constituent area municipalities, Provincial grants and other sundry and program-generated revenues.

EDUCATION REQUIREMENTS for elementary and secondary educational programs administered by the Metropolitan Toronto School Board are financed from an education levy on constituent area municipalities, Provincial grants and other sundry revenues.

WATER SUPPLY REQUIREMENTS of the Water Supply Division of the Metropolitan Works Department, an entirely self-sustaining operation, are financed from the sale of water to constituent area municipalities (and one adjoining Regional Municipality by formal agreement) and from other sundry revenues.

AUTHORITY TO BORROW

DEBENTURE DEBT

The Municipality of Metropolitan Toronto has the sole statutory responsibility for borrowing money by the issuance of debentures for its own purposes, its local boards, commissions and agencies and on behalf of the area municipalities and their local boards, commissions and agencies. The local boards and municipal enterprises of the Municipality include the Metropolitan Water Supply System, the Toronto Transit Commission and the Metropolitan Toronto School Board. Where money is borrowed, or debt assumed on behalf of other bodies, payment of the related debt servicing requirements is made by these bodies to the Metropolitan Corporation.

All debentures issued by the Metropolitan Corporation are direct, joint and several obligations of the Metropolitan Corporation and the Area Municipalities.

SHORT TERM DEBT

Provincial legislation restricts short term borrowing by the Metropolitan Corporation for current purposes during any year to 70 per cent of the total amount of estimated revenues as set forth in the estimates adopted for the year. Until such estimates are adopted, the borrowing limit shall be calculated upon the estimated revenues as set forth in the estimates adopted for the next preceding year.

EDUCATION

The responsibility for the operation and financing of the non-denominational elementary and secondary school system in the Metropolitan Area rests with the Metropolitan Toronto School Board (M.T.S.B.) while the actual administration of the schools is the responsibility of the local school boards of the six individual Area Municipalities. The M.T.S.B. is required to provide the local area municipality school boards with the total funds necessary to provide an educational program throughout the Metropolitan Area, having regard to each Area Municipality's varying needs. The approved net requirements, including debt service, of the six school boards together with the estimates for the M.T.S.B.'s own purposes are combined into a composite budget to determine the Metropolitan levy for education purposes each year. The funds required by the M.T.S.B. are requisitioned from the Metropolitan Corporation, which in turn levies for such funds on the Area Municipalities. Legislation also permits special discretionary school tax levies, within prescribed limits, to be made by the individual Area Municipalities for sums required by their local boards of education in excess of the amount of funds provided by the M.T.S.B.

EMPLOYEES

The Metropolitan Corporation and its consolidated local boards, commissions and agencies employ approximately 26,000 and the school boards employ approximately 28,000. About 88% of all such persons are employed under collective bargaining agreements.

Salaries, wages and benefit costs in respect of employees of the Metropolitan Corporation and its consolidated agencies (not including the school boards) aggregate \$1,019 million in the financial year 1986 or 53% of total operating expenditures.

ECONOMIC INFORMATION

The Metropolitan Toronto Area is the centre of an extensive and diverse manufacturing, retailing, transportation and financial system. A majority of businesses which provide service on a national basis, such as advertising, accounting, printing and publishing, travel and industrial research are headquartered in the Metropolitan Area.

Approximately 33% of Canada's retail market is located within 100 miles of Metropolitan Toronto. During 1986, The Toronto Stock Exchange, with a trading dollar value of \$63.7 billion, accounted for approximately 75.3% of the activity on all the Canadian stock exchanges.

Statistics Canada does not compile economic statistics solely related to the Metropolitan Area. The area referred to by Statistics Canada as the Toronto Census Metropolitan Area (Toronto C.M.A.) includes the Metropolitan Area as well as adjacent areas to the east, north and west. Economic statistics for the Toronto C.M.A. are considered to fairly reflect the economy of the Metropolitan Area, the latter representing 65% of the total population of the Toronto C.M.A.

The following table shows the distribution of the working labour force of the Toronto C.M.A. according to the federal establishment survey of December 1985 (the latest data published):

	% of Total
Business, Personal and Community Services	33.1
Manufacturing	23.8
Trade	
Wholesale	7.0
Retail	12.0
Finance, Insurance and Real Estate	9.8
Transportation, Communication and Utilities	7.1
Construction	4.5
Public Administration	2.5
Forestry and Mining	0.2

Source: Statistics Canada

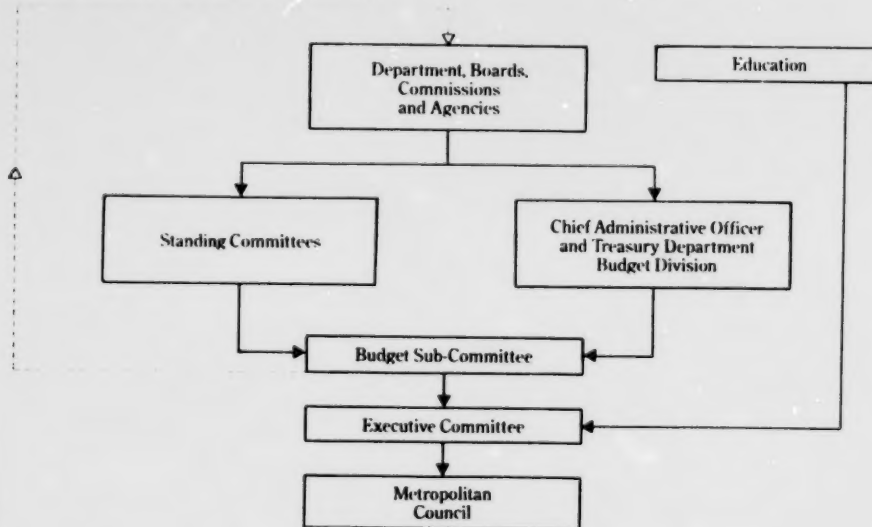
By virtue of its industrial base and highly developed service sectors, the Metropolitan Area enjoys the highest total income and total disposable income per capita of any municipal area in Canada.

FINANCIAL MANAGEMENT AND CONTROL

THE BUDGETARY PROCESS

The Metropolitan Toronto budgetary process for both the annual operating budget and the five year capital works program is shown in the following chart and this process is outlined below:

Budget Guidelines from Budget Sub-Committee



- Staff of the Treasury Department, in consultation with the Budget Sub-Committee of Council, issue budget guidelines to all Metro departments, boards, commissions and agencies.
- Departments/Agencies prepare and submit their budget documents to the Treasury Department. A copy of the budget submission is also forwarded by the Department/Agency to the applicable Standing Committee of Council.
- Standing Committees review the budget documents, with the main emphasis on policy and program issues, and forward their recommendations to the Budget Sub-Committee.
- Staff of the Treasury Department coordinate and prepare the necessary schedules and analysis reports.

- Members of the Budget Sub-Committee analyze the budget requests (and applicable amendments), and recommend the appropriate funding requirements and management actions.
- Recommendations of the Budget Sub-Committee are forwarded to the Executive Committee for consideration.
- Recommendations of the Executive Committee are forwarded to the Metropolitan Council for final approval and adoption of a general levy on the constituent area municipalities.

The Budget Sub-Committee is a sub-committee of the Executive Committee charged with reviewing the budget submissions, and presenting the formal budgets (operating and capital) to the Executive Committee and to the Metropolitan Council. The Budget Sub-Committee is composed of seven members, one from each of the six area municipalities of the Metropolitan Toronto federation, plus the Metropolitan Chairman who presides at the sub-committee meetings.

The annual operating budget establishes expenditure funding appropriations that are monitored throughout the year and, except for minor variations, the express prior approval of Council is required before incurring expenditure commitments that would create over-expenditures in approved appropriations.

The five year capital works program is reviewed and revised annually in the budgetary process and includes a fiscal impact analysis of each capital project to assess the financial impact upon subsequent operating budgets. Such analysis forms the basis for recommended guidelines with respect to growth in annual debt charges, the level of debt outstanding and a balanced use of borrowing and capital financing out of current fund allocations. (See "Long Range Capital and Financial Planning" section.)

In the case of education, the budgetary process is carried out entirely by the Metropolitan Toronto School Board in conjunction with the local Boards of Education for the six area municipalities. Following formal approval of a budget by the Metropolitan Toronto School Board, it is then forwarded to the Metropolitan Executive Committee and Council for approval, in order to permit the striking of a property tax levy for public education purposes or for inclusion in the five year capital works program.

THE ACCOUNTING PROCESS

The present computerized Central Accounting, Budgeting and Management Reporting System was initiated in 1976 originally to eliminate most of the independent accounting systems previously maintained in each of the Metropolitan departments and to provide a central collection focus for accounting data. Since its inception, the System has developed progressively to meet the emerging needs of departments, particularly in the areas of management accounting and budgeting. It is now oriented to a program management structure, with sufficient flexibility to ensure ready adjustment of information to the needs of the user.

To ensure that all transactions are recorded accurately and on a timely basis, and are properly approved and serve as the basis for reliable financial information, the Municipality maintains an extensive system of internal accounting controls. The adequacy and effectiveness of the control systems are subject to ongoing monitoring by the Treasury Department and by the Metropolitan Auditor.

THE AUDITING PROCESS

The consolidated financial statements of the Municipality of Metropolitan Toronto, together with the individual financial statements of the entities presented in the consolidation; the financial statements of the Metropolitan Toronto Housing Company, Limited and the Metropolitan Toronto Singles Housing Corporation (unconsolidated local boards of the Metropolitan Corporation); and the financial statements of the Municipality's unconsolidated special purpose funds, are all subject to independent audits conducted by the Metropolitan Auditor who is a statutory officer of the Metropolitan Corporation. The Metropolitan Auditor reports independently to the Metropolitan Council in regard to the operations of each of the entities. The financial statements of the Metropolitan Toronto School Board are subject to an independent audit by a firm of chartered accountants.

The Auditor's Report is based on an examination of the Corporation's accounting systems, procedures and internal controls and is made in accordance with generally accepted auditing standards, including such tests and other procedures as the Auditor considers necessary in the circumstances.

CONSOLIDATED FINANCIAL STATEMENTS, SUPPLEMENTARY FINANCIAL STATEMENTS AND STATISTICAL REVIEW

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Municipality of Metropolitan Toronto provide an overview and broad perspective of the financial activity for which the Municipality is deemed to be politically accountable. The individual entities presented and included within the consolidation comprise local boards, agencies and commissions of the Metropolitan Corporation carrying out both general municipal activities and functions of a municipal enterprise nature, as follows:

Municipality of Metropolitan Toronto (including the Metropolitan Board of Commissioners of Police and the Metropolitan Licensing Commission)
Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Toronto Transit Commission
Gray Coach Lines Ltd. (consolidating Gray Coach Travel Inc.)
Board of Governors of Exhibition Place
Board of Management of the Metropolitan Toronto Zoo
Board of Management of the O'Keefe Centre
Board of Management of the Guild

The administrative and financial relationships of these individual boards, commissions and municipal enterprises to the Municipality of Metropolitan Toronto are dealt with in some detail later in this Report. The individual detailed financial statements of the consolidated boards, commissions and agencies are not included in this publication; rather, a listing of the addresses of the offices of each of these entities is provided on page 52 of this Report for any individual who may wish to obtain further information.

SUPPLEMENTARY FINANCIAL STATEMENTS

Included also in this Report are financial statements relating to the Metropolitan Toronto Housing Company, Limited, the Metropolitan Toronto Singles Housing Corporation and the Metropolitan Toronto School Board, (unconsolidated local boards of the Metropolitan Corporation), together with condensed financial information relative to the unconsolidated special purpose funds of the Municipality, viz. the Metropolitan Toronto Trust Funds, the Metropolitan Toronto Pension Fund, the Metropolitan Toronto Police Benefit Fund, the Metropolitan Toronto Board of Commissioners of Police Supplemental Pension Benefits Trust Fund, and the Metropolitan Toronto Sinking Funds.

STATISTICAL REVIEW

A Statistical Review has been compiled and included to provide general information and comprehensive statistical data for the Municipality of Metropolitan Toronto and affords a broader and more complete understanding of the Municipality's financial condition than is possible from simply an examination of the individual financial statements. It comprises multi-year comparative trend data, information concerning fiscal capacity and debt-related statistics of the Metropolitan Corporation.

CONSOLIDATED BOARDS, COMMISSIONS AND AGENCIES

The administrative and financial relationships between the Municipality of Metropolitan Toronto and its individual consolidated boards, commissions and agencies are outlined below:

METROPOLITAN WATERWORKS SYSTEM

The Metropolitan Waterworks System, a municipal enterprise of the Metropolitan Corporation, is responsible for the supply of potable water of the highest standard of quality conforming to the requirements of Provincial and Federal Acts and Regulations in a quantity sufficient for the requirement of the citizens of the Metropolitan Toronto Area. The System undertakes the treatment, pumping, trunk transmission, storage and supply of water for the constituent area municipalities and the southerly portion of the Regional Municipality of York; the latter under an agreement with the Province of Ontario.

The Municipality of Metropolitan Toronto Act requires the Waterworks System to be self-sustaining and to retain any surplus revenues generated from operations. Effective

November 18, 1986, by an amendment to the Municipality of Metropolitan Toronto Act, enabling legislation was obtained to permit the use of waterworks system surplus funds for the financing of water pollution control works.

Administration of the water supply function in 1986 involved the operation of 4 filtration plants, including quality control laboratories; 21 pumping stations; 10 major reservoirs; 4 elevated tanks and a 454 km. large-diameter water main transmission network, furnishing about 494 million cubic metres of water to the six area municipalities. To ensure proper treatment, achievement of conformity to potability standards, and to verify the above by testing water delivered to the consumer, a staff of highly qualified scientific personnel at four laboratories continually analyzes samples. During 1986 a total of 287,880 samples were taken and analyzed.

In 1986 total expenditures amounted to \$71,369,000. Operating revenues, principally from the sale of water, totalled \$76,532,000 resulting in net revenue for the year of \$5,163,000. As a result, the net accumulated revenue increased from \$19,719,000 at December 31, 1985 to \$24,882,000 at December 31, 1986. In accordance with Council's directive, this amount was transferred to a Reserve Fund for Water Pollution Control Measures under the jurisdiction of the Metropolitan Corporation to be applied to finance water pollution projects identified in annual budget reviews. The level of this reserve fund and future transfers of water supply surplus funds will be subject to ongoing review by Metropolitan Council.

METROPOLITAN TORONTO LIBRARY BOARD

The Metropolitan Toronto Library Board provides direct reference service to the public and regional support services to the local area municipality public libraries of Metropolitan Toronto. The Library Board is financed by funds requisitioned from the Metropolitan Corporation, from time to time, as required, up to the limit approved in the Board's budget by the Metropolitan Council.

The eleven member Board, which holds office for a three-year term, is composed of the Metropolitan Chairman and ten other appointed members. Two such members are appointed by the Metropolitan Council, one by each Area Municipality Council, one by the Metropolitan Toronto School Board and one by the Metropolitan Separate School Board.

The operations of the Board are primarily of a central reference nature rather than the provision of circulation services, which is mainly provided by the library boards of area municipalities. Regional support services provided to the area municipality public library systems cover many areas including audio visual services, multi-language services, inter-library loan, truck delivery services, and centralized cataloguing of specialized materials such as periodicals, newspapers, 16 mm films, talking books, multi-language materials and video programs.

During 1986, 1.7 million users consulted 4.5 million books in the library, which counts 1.5 million books and bound periodicals among its collections. Other highlights included an administrative reorganization of the library's public service division; the celebration of 25 years of building the excellent theatre collection; and the launching of a fundraising drive to raise over \$100,000 to preserve the \$2.2 million folio of John James Audubon's "Birds of America."

Total operating expenditure for 1986 was \$22,707,000 and was financed by \$20,386,000 from the Metropolitan Corporation, \$1,610,000 from the Province of Ontario and the balance of \$711,000 from other sources, principally recoveries from other regional library services and area library boards for services rendered, photocopying services and the sale of miscellaneous publications.

TORONTO TRANSIT COMMISSION

The Toronto Transit Commission (T.T.C.) has exclusive authority to provide local passenger transportation services within the Metropolitan Toronto area; the only exceptions being railways, taxis, horse-drawn vehicles used for the purpose of providing sightseeing tours, privately owned or operated buses in certain limited uses, the Island ferries and bus transportation on the Toronto Islands. The T.T.C. is administered by five Commissioners, and is composed of two Metropolitan Council members and three others, all of whom are appointed by Metropolitan Council.

Following the recommendations of a Joint Metro/T.T.C. Transit Policy Committee, a "user's fair share" principle has been formally adopted by the Metropolitan Council which generally defines the amount of operating expenses that are to be the financial responsibility of the User (T.T.C.), the Metropolitan Corporation and the Province of Ontario. In accordance with

this principle, the Commission establishes its fares at a level projected to produce total revenue from operations equal to 68% of total operating expenses (as defined for provincial subsidy purposes). The Municipality undertakes in its budget to provide an operating subsidy equal to the remaining expenses and, in turn, obtains subsidies from the Province of Ontario related to eligible transit operating expenses, revenue/cost relationships and special subsidies for major new transit facilities on exclusive rights of way.

The T.T.C.'s total operating expenditure during 1986 amounted to \$460,980,000 while total operating revenues (principally fare revenue) were \$334,840,000. This resulted in a net operating cost of \$126,140,000 which was met by the Metropolitan Corporation; the Province of Ontario, in turn, contributed a transit operating subsidy to the Municipality of \$70,673,000 relating to the T.T.C.'s operating costs and other transit expenditures incurred directly by the Municipality.

Capital expenditures in 1986 were \$185,000,000 which were financed \$123,000,000 by Provincial subsidy, \$36,000,000 by Metropolitan Toronto and \$26,000,000 by the T.T.C. Of the total capital expenditure incurred in the year, \$140,000,000 was spent for new rapid transit and other major construction work, while the balance of \$45,000,000 was incurred for the replacement, renovation and rehabilitation of existing surface and general transit facilities.

GRAY COACH LINES, LIMITED

Gray Coach Lines, Limited, a wholly-owned subsidiary of the Toronto Transit Commission, operates inter-urban coach services over franchised routes to other cities, chartered and special services and sightseeing tours, its operations being separate from but complementary to the operations of the Toronto Transit Commission. Gray Coach Travel Inc., a wholly-owned subsidiary of the Company, operates a conducted tour business.

The Company's fares and routes are regulated by the Province of Ontario and a significant part of the Company's operations has been carried out under an agreement with the Toronto Area Rapid Transit Authority as part of the Province's "GO Transit" commuter system. During 1984, it was agreed with the Province that a phase-out of the Company's operation of "GO Transit" routes would occur over the next five years.

The Board of Directors of Gray Coach Lines, Limited, is composed of three directors appointed by the T.T.C. plus the Chairman and the Chief General Manager of the T.T.C. The President and Chief Executive Officer of the Company is ex-officio the sixth member of the Board. The Chairman of the T.T.C. also serves as Chairman of the Gray Coach Board.

In 1986 the consolidated net earnings of Gray Coach Lines, Limited, on a commercial basis of accounting, were \$3,055,000; a dividend was declared payable to the Toronto Transit Commission of \$700,000 leaving consolidated retained earnings in the Company of \$16,245,000.

BOARD OF GOVERNORS OF EXHIBITION PLACE

The Board of Governors of Exhibition Place operates and manages Exhibition Place, including the Exhibition Stadium, on behalf of the Municipality of Metropolitan Toronto under the terms of an agreement between the Board and Metropolitan Toronto which specifies that net operating income is payable to the Municipality and that the Municipality is responsible for any deficit.

The Board is comprised of fourteen members: the Metropolitan Chairman, the Mayor of the City of Toronto, the President of the Canadian National Exhibition Association and eleven members appointed by Metropolitan Council.

Major capital facilities at Exhibition Place are financed by and are the property of the Municipality of Metropolitan Toronto. Costs of other expenditures on plant and equipment, including major improvements and maintenance, are charged by the Board to current operations in the year of purchase and these facilities also are the property of the Municipality.

A user fee of 25 cents per ticket sold at a price greater than \$2.00 is assessed on events produced in Exhibition Stadium. The amounts collected are paid into a reserve fund of the Municipality of Metropolitan Toronto to be used to defray the costs of future capital improvements.

Exhibition Place covers approximately 77.3 hectares on the shore of Lake Ontario. It is the home of the annual twenty-day Canadian National Exhibition in August and is also the site of many trade, industrial and consumer shows, and agricultural, theatrical, musical and other events. The Canadian National Exhibition Association manages and operates the annual fair by agreement with the Board of Governors of Exhibition Place.

The Board of Governors is also responsible for the operation and maintenance of Exhibition Stadium. Activities held at Exhibition Stadium include the league scheduled games of the Toronto Argonauts of the Canadian Football League and the Toronto Blue Jays of the American Baseball League, musical events, the annual C.N.E. Grandstand shows, and various amateur events.

1986 was another successful year at Exhibition Place; a surplus of \$3,530,000 was realized on the Board's annual operation and credited to the general revenues of the Metropolitan Corporation.

The Task Force on the "Future Uses of Exhibition Place," appointed by Metropolitan Council to study the long term possibilities for the site and to consider future uses of Exhibition Place, substantially completed their deliberations in 1986. During the latter half of the year a comprehensive study was conducted of the financial implications of alternative uses and options for development of Exhibition Place assets.

BOARD OF MANAGEMENT OF THE METROPOLITAN TORONTO ZOO

A Board of Management consisting of nine members appointed by Metropolitan Council, four of whom are nominees of the Metropolitan Toronto Zoological Society, operates and manages the Metropolitan Toronto Zoo under the terms of an agreement between the Board and the Municipality of Metropolitan Toronto which is responsible for any deficit and is entitled to any net income from operations.

Major capital facilities at the zoo are financed by and are the property of the Municipality of Metropolitan Toronto. Costs of other expenditures on plant and equipment are charged by the Board to current operations in the year of purchase.

Total zoo revenues from admissions, retail sales, parking, concessions, etc., amounted to \$5,244,000. Expenditures totalled \$11,985,000 resulting in a net cost of operation of \$6,741,000 which was financed entirely by the Metropolitan Corporation.

During the year a Management Review of the Metropolitan Toronto Zoo was conducted by the Chief Administrative Officer and the recommendations arising therefrom were presented to Metropolitan Council in June 1986. The Report accompanying such recommendations stated that "the results of such review have provided a framework to build on, one that will ensure a strong administrative base that supports and reinforces continued success."

Also during the year Metropolitan Council commissioned a new Zoo Master Plan that would articulate the future role of the zoo as it relates to animal acquisitions for public displays, research, breeding, and the conservation of rare and endangered species. The findings of this study, recently completed, are expected to guide future capital developments, provide a basis for evaluating new programmes and set new directions in terms of future marketing and promotional strategies.

BOARD OF MANAGEMENT OF THE O'KEEFE CENTRE

The O'Keefe Centre was built in 1960 by The O'Keefe Brewing Company, Ltd., which, after operating it for eight years, made a gift of the building and all equipment and furnishings to the Municipality of Metropolitan Toronto.

A Board of Management operates and manages the O'Keefe Centre for the Performing Arts as a theatre under the terms of an agreement between the Board and the Municipality of Metropolitan Toronto. Net operating income is payable to the Municipality and the Municipality is responsible for any deficit.

The Board may be comprised of not less than three and not more than seven persons appointed by Metropolitan Council for such terms of office as Council may determine. It is the present policy of Metropolitan Council to appoint three of its members to the Board along with four persons who are not members of Metropolitan Council.

The O'Keefe Centre has generated net income from operations in each of the past eight years; the 1986 total surplus amounted to \$790,000 and was credited to the general revenues of the Metropolitan Corporation. In 1979, a major rehabilitation and replacement programme was commenced to restore the building to its original first-class standards. Over the past eight years, the Centre has spent in excess of \$5.5 million on renovations which have been funded 75% from the Metropolitan Corporation's operating budget and 25% from a ticket surcharge.

During 1986, over 706,000 patrons attended 278 performances as the O'Keefe Centre continued to provide entertainment for a diversity of audiences consistent with the responsibilities of a publicly-owned theatre to its community: musicals, revues, opera, ballet, symphony, drama, jazz, and special community social and cultural events. The Centre is

also the home for two world-renowned cultural companies, the National Ballet of Canada and the Canadian Opera Company, both of whom set new attendance records in 1986.

BOARD OF MANAGEMENT OF THE GUILD

The Board of Management of the Guild, a local board of the Metropolitan Corporation, was established as a Corporation by an amendment to the Municipality of Metropolitan Toronto Act in 1983. The Metropolitan Council appoints the members of the Board, is responsible for any deficit and is entitled to any surplus from operations.

The Board consists of fifteen members, composed of a Chairman and fourteen members appointed by Metropolitan Council of whom seven are nominees of the Province of Ontario.

The land, buildings and equipment are owned by the Metropolitan Toronto and Region Conservation Authority and leased to the Municipality of Metropolitan Toronto. As a consequence, the costs of any capital expenditures on plant and equipment incurred by the Board are charged to current operations in the year of purchase.

In 1986 total net revenue, principally from room rentals, food and beverage sales totalled \$1,115,000. Total operating expenses amounted to \$1,688,000 resulting in an operating deficit of \$573,000 which was financed by the Metropolitan Corporation.

Under the terms of an agreement between the Board of Management and the Municipality of Metropolitan Toronto the Board assumed control of the operation and management of The Guild on behalf of the Metropolitan Corporation on January 1, 1984. A study was subsequently undertaken to develop recommendations for the best and most appropriate future uses of The Guild and the uses of the lands immediately adjoining thereto.

The study concluded that the most appropriate option was the conversion of The Guild into a luxury resort hotel with added emphasis on preserving the cultural value of the property. In November 1986, Metropolitan Council recommended that the hotel operations of The Guild be contracted out to an experienced hotel operator under a long-term operating agreement, although the cultural activities of The Guild would remain the direct responsibility of the Board of Management.

EXPENDITURE

In 1986, the general operating activities of the Municipality and its consolidated local boards and municipal enterprises resulted in a total gross expenditure of \$1,912,871,000 (1985 - \$1,787,461,000) as compared with a total gross operating budget of \$1,915,091,000.

The table below details the expenditure for the year classified by program and by object.

						DOLLARS IN THOUSANDS	
	1986 Budget	1986 Actual	%	1985 Actual	%	Increase (Decrease) 1986 Actual over 1985 Actual	Increase (Decrease) 1986 Actual over 1986 Budget
PROGRAM							
General government	\$ 79,615	\$ 65,133	3.4	\$ 65,038	3.6	\$ 95	\$ (14,482)*
Protection to persons and property	394,768	387,458	20.3	363,631	20.3	23,827	(7,310)*
Transportation services	605,343	606,014	31.7	584,382	32.7	21,632	671
Environmental services	209,749	237,929	12.4	224,937	12.6	12,992	28,180 *
Health services	45,485	44,144	2.3	40,726	2.3	3,418	(1,341)
Social and family services	436,169	434,139	22.7	377,705	21.1	56,434	(2,030)*
Recreation and cultural services	132,836	126,661	6.6	122,478	6.9	4,183	(6,175)
Planning and development	11,126	11,393	0.6	8,564	0.5	2,829	267
	\$1,915,091	\$1,912,871	100.0	\$1,787,461	100.0	\$ 125,410	\$ (2,220)

DOLLARS IN THOUSANDS

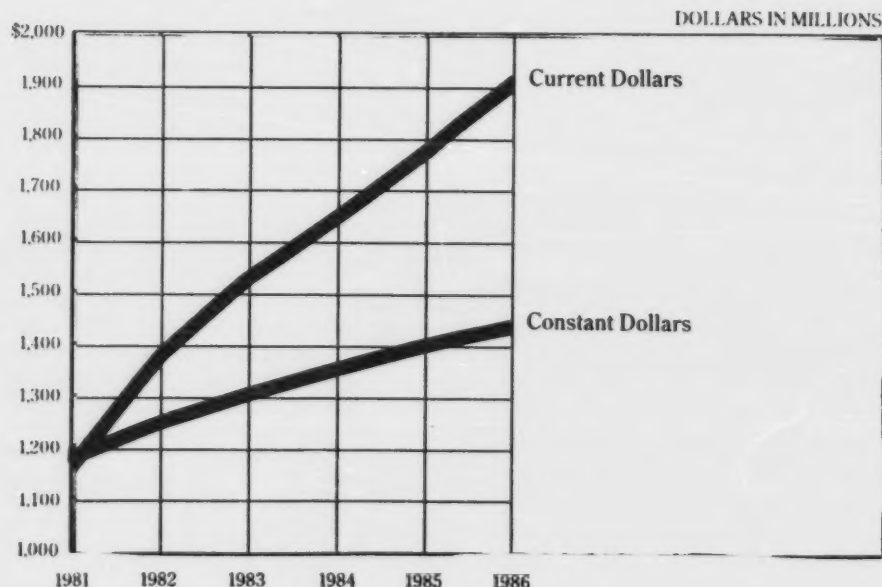
OBJECT	1986		1985		Increase (Decrease) 1986 Actual over 1985 Actual
	Actual	%	Actual	%	
Salaries, wages and employee benefits	\$1,018,617	53.2	\$ 958,988	53.7	\$ 59,629
Materials, supplies, services, rents and financial expenses	386,091	20.2	355,385	19.9	30,706
Capital additions	37,676	2.0	34,635	1.9	3,041
Operating transfers to other funds	67,089	3.5	46,727	2.6	20,362
Other transfers	231,796	12.1	200,740	11.2	31,056
Capital financing charges	171,602	9.0	190,986	10.7	(19,384)***
	\$1,912,871	100.0	\$1,787,461	100.0	\$ 125,410

- * For an explanation of these positive variances, see "Accumulated Net Revenue" section on page 27.
- ** Metropolitan Council on March 3, 1987 approved the transfer of the balance of accumulated net revenue at the credit of the Waterworks System at December 31, 1986, in the sum of \$24,882,000 to a Reserve Fund for Water Pollution Control Measures.
- *** This variance arises because of the impact in 1985 of a one-time debenture interest accrual charge of \$18,555,000.

As in the past several years, the operations of the Toronto Transit Commission, the Board of Commissioners of Police and the Community Services Department (in respect of general welfare assistance) received, at 60% (1985-60%), the largest portion of the total operating funds to finance their activities.

CONSOLIDATED OPERATING EXPENDITURES 1981 - 1986

The graph below details total consolidated operating expenditures over the past six years in both current and 1981 constant dollars.



REVENUE

There are four major categories of revenue of the Metropolitan Corporation:

- (i) Levy requisitions upon the constituent Area Municipalities (principally the general tax levy but including also the sale of water), 39% of the total;
- (ii) Provincial grants (unconditional and specific), 27% of the total;
- (iii) User charges in respect of municipal services, 31% of the total;
- (iv) Other operating and miscellaneous revenues, 3% of the total.

Statistics over the past six years indicate the percentage of revenue that was contributed by each major source has experienced little change during that period of time.

LEVY REQUISITIONS UPON AREA MUNICIPALITIES

GENERAL TAX LEVY

The Metropolitan Corporation levies sums of money, not mill rates, on the constituent area municipalities. However, it has been customary, for purposes of yearly comparisons, to express the total general levy in terms of an "average equivalent mill rate". The actual mill rates levied for Metropolitan purposes by area municipalities vary from this "average", due to a combination of factors.

The assessment figures used for purposes of apportionment of the Metropolitan levy include, in addition to taxable amounts, the equivalent assessed value of all properties for which the area municipalities receive payment in lieu of taxes and also equivalent assessments in respect of telephone and telegraph company receipts and certain Provincial grants. Commencing in 1984, Provincial legislative changes provide for the general tax levy to be distributed by area municipality on the basis of weighted assessment; weighted assessment being the total of commercial assessment and 85% of residential assessment.

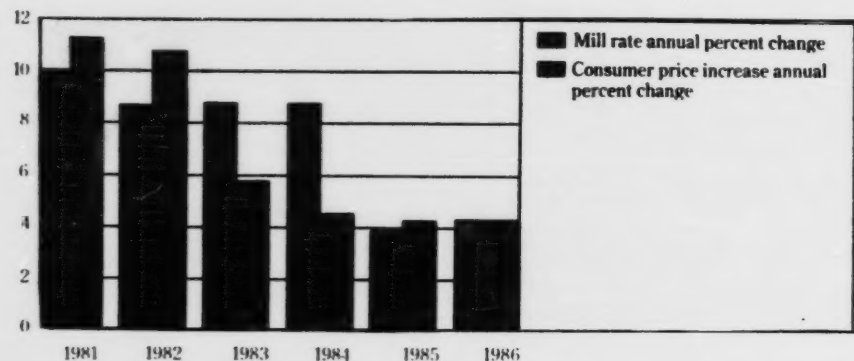
In accordance with the current Provincial legislation, the Metropolitan general levy requirement is apportioned over the six area municipalities on the basis of this weighted total general Metropolitan assessment to determine the net amount of money actually levied upon each area municipality. Such sums are then converted by each area municipality into its own residential and commercial mill rates, based on taxable assessments, with the residential rate established at 85% of the commercial rate. These rates will differ from the Metropolitan "average equivalent mill rate", which is simply an expression of the net Metropolitan levy in relation to the total Metropolitan "equalized assessment" used in the apportionment process.

For purposes of comparing the Metropolitan general levy in 1986 with that in 1985, the calculated "average equivalent mill rate" indicates an increase of 3.3 mills or 4.2% in 1986 as follows:

DOLLARS IN THOUSANDS

	General Levy	Weighted Assessment	"Average Equivalent Mill Rate"
1986	\$663,946	\$8,251,657	80.5
1985	628,435	8,141,839	77.2
Increase 1986 over 1985	\$ 35,511	\$ 109,818	3.3
% Increase	5.7	1.3	4.2

The following diagram compares the increase in the Metropolitan "average equivalent mill rate" with annual consumer price increases over the last six years.



TAX COLLECTION

The Area Municipalities are responsible for the billing and collection of taxes for their own purposes as well as for the Metropolitan Corporation and boards of education. Taxes which are not paid when due are subject to an interest penalty which is added to the tax arrears and collected as taxes. Generally, the Area Municipalities collect taxes in six instalments throughout the year. The following table sets forth the tax collection record of the Area Municipalities for the years 1981 through 1986.

DOLLARS IN THOUSANDS

Year	Current Taxes Billed	Total Arrears Including Penalties and Interest	Total Tax Arrears as % of Current Taxes Billed	Total Collections	Total Collections as % of Current Taxes Billed
1981	\$1,650,999	\$ 94,854	5.7	\$1,648,181	99.8
1982	1,891,075	105,563	5.6	1,890,279	100.0
1983	2,091,270	108,355	5.2	2,098,982	100.4
1984	2,283,463	103,172	4.5	2,297,102	100.6
1985	2,457,939	96,678	3.9	2,451,276	99.7
1986	2,670,872	109,154	4.1	2,641,483	98.9

The total arrears of \$109,154,000 outstanding at December 31, 1986 were composed of the following:

Unpaid taxes from 1986	\$ 72,102	66.1%
Unpaid taxes from 1985	17,567	16.1
Unpaid taxes for years prior to 1985	12,167	11.1
Penalties and interest	7,318	6.7
	\$ 109,154	100.0%

SALE OF WATER TO AREA MUNICIPALITIES

Revenues deriving from the sale of water to the six constituent area municipalities are reported within the category of "Levy Requisitions" in conformance with Provincial financial reporting requirements.

Due to the availability of an accumulation of water supply surplus revenues from prior years, Metropolitan Council approved a reduction in water rates from 15.30 cents per cubic metre of water in 1985 to 13.88 cents for 1986 (the same rate as in 1983).

The administration of the water supply function is the responsibility of the Metropolitan Waterworks System, a municipal enterprise of the Metropolitan Corporation, and its operation has been explained in some detail on page 18.

PROVINCIAL GRANTS

Provincial grant transfers to the Municipality comprise unconditional grants (principally household grants for general and policing purposes, together with general support and resource equalization grants) and conditional grants, primarily based on eligible municipal expenditures.

The total of grants and subsidies received from the Province during 1986 was \$510,294,000 compared with \$460,665,000 in 1985, an increase of 10.8%. During 1986 the basis of calculation of the general support grant was slightly enriched from 5.75% to 6.0% of the "net general dollar levy of the previous year", contributing to an increase in such grant from \$44,360,000 in 1985 to \$49,217,000 in 1986.

The overall total increase in the level of Provincial assistance in 1986 of \$49,629,000 is essentially a reflection of increased spending in functional areas eligible for continuing Provincial subsidies.

USER CHARGES

Within the category of user charges fall revenues arising from the provision of municipal services by the Municipality, its boards, commissions and enterprises, e.g. transit fares; admission fees to the Canadian National Exhibition, Exhibition Stadium, the Metropolitan Toronto Zoo, the O'Keefe Centre; rents, concessions and franchises; licences and permits; sales of equipment; refuse disposal charges; island ferry revenue and other like user-oriented revenue.

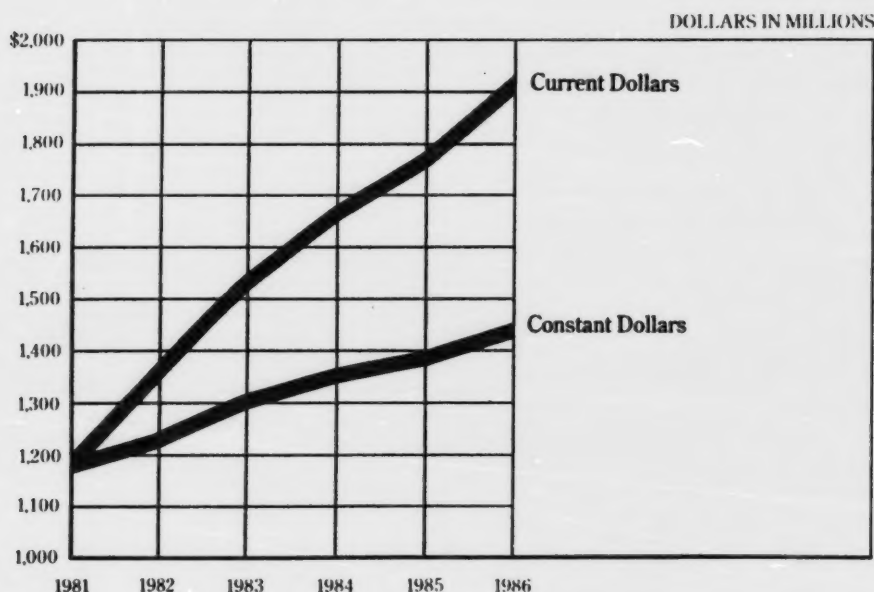
Also classified as user charges is a sewer surcharge levied upon the sale of water to the Metropolitan area municipalities, the proceeds of which are credited to the general revenue of the Metropolitan Corporation and used to defray the costs of water pollution control. This surcharge, originally instituted in 1974 at the rate of 10% of water sales, has steadily been increased over the last twelve years and stood at 115% in 1986 (1985 - 90.5%). Metropolitan Council's objective is to fund the total cost of operation of the water pollution function entirely from this surcharge, and since water pollution costs exceed those of water supply, the surcharge has accordingly increased beyond 100% of the water rate.

OTHER OPERATING AND MISCELLANEOUS REVENUES

These include all other revenues which arise from operations and activities incidental to the discharge of the primary functions of the Municipality and include such sources as investment income, library fines and parking tag revenue.

CONSOLIDATED OPERATING REVENUES 1981 - 1986

The graph below details total consolidated operating revenues over the past six years in both current and 1981 constant dollars.



ACCUMULATED NET REVENUE

The current fund surplus in respect of its general municipal purpose operations recorded by the Metropolitan Corporation in 1986, in excess of \$52 million, represented the 33rd consecutive annual surplus and is attributable to a number of circumstances, the more significant being:

- a) general administration costs and Metropolitan share of tax deficiencies were lower than budgeted;
- b) actual strength of Police Commission uniform and civilian personnel was lower than budgeted; underexpenditures in police relocation costs and vehicle repairs;
- c) lower than budgeted operating subsidy paid to the Toronto Transit Commission as a result of increased transit ridership; lower than budgeted winter maintenance costs and roads equipment rentals;
- d) higher than anticipated revenue arising from increased tonnage processed at landfill sites and transfer stations;
- e) partial deferral into 1987 of space expansion program for children's services and renovations to homes for the aged.

CAPITAL OPERATIONS

Gross capital expenditure in 1986 amounted to \$350 million, an increase of 20% over 1985. Of this sum, \$185 million, or 53%, was spent on expansion and improvements to the transit system, while sewage and refuse disposal capital expenditure, at \$41 million, accounted for 12%. Expenditures in regard to protection to persons and property also totalled \$41 million and related primarily to the construction of the new police headquarters.

Transit capital expenditures continued to be mainly associated with the Toronto Transit Commission's ongoing program of vehicle fleet modernization which accounted for \$120 million, or 70% of the total transit capital expenditures during the year.

Total financing of capital expenditures during 1986 amounted to \$338 million and was comprised principally of provincial capital grants in the sum of \$145 million (43%), contributions from current funds of \$92 million (27%) and long term debt incurred of \$64 million (19%). In addition, other miscellaneous sources of capital financing such as proceeds from the sale of capital assets and sundry capital contributions and recoveries totalled \$20 million (6%) while excess sinking fund investment earnings amounted to \$17 million (5%).

RESERVES AND RESERVE FUNDS

The table below lists the year end balances in the total consolidated reserves and reserve funds of the Municipality over the last six years in relation to total operating expenditures:

DOLLARS IN THOUSANDS

	Reserves and Reserve Funds	Total Operating Expenditures	Percentage
1981	\$ 47,918	\$1,173,755	4.1
1982	91,363	1,375,444	6.6
1983	59,504	1,516,614	3.9
1984	87,058	1,652,959	5.3
1985	97,133	1,787,461	5.4
1986	136,228	1,912,871	7.1

The sharp increase in the balance in reserves in 1982 is attributable to the creation during that year of a capital financing stabilization reserve in the sum of \$39,694,000; in 1983 an amount of \$22,577,000 was utilized from the reserve to finance the net capital requirements of the year in accordance with the Council policy to maintain a balanced financing mix between internally generated revenues and external debenture financing (see "Long Range Capital and Financial Planning" section).

During 1985, in anticipation of the accumulated net revenue at the credit of the Metropolitan Waterworks System amounting to approximately \$30 million by the end of the year, Metropolitan Council appropriated the sum of \$10 million to a Reserve for Stabilization of Water Rates. In addition, Council approved a recommendation that, subject to obtaining any necessary enabling legislation, the balance of accumulated water supply net revenue be transferred to a Reserve Fund for Water Pollution Control Measures and applied to finance water pollution control projects to be identified in annual budget reviews. Accordingly,

the sum of \$24,882,000, representing the balance of accumulated net revenue as at December 31, 1986, was transferred as at that date, with the proviso that the level of the Reserve Fund for Water Pollution Control Measures and future transfers of any water supply surplus funds be subject to ongoing review by Metropolitan Council.

LONG RANGE CAPITAL AND FINANCIAL PLANNING

CAPITAL EXPENDITURE FINANCED FROM CURRENT FUNDS

Metropolitan Council's long-range capital and financial planning policy for its general municipal purpose and municipal enterprise operations is designed to ensure a balanced financing mix between internally generated revenues and debenture financing for the Municipality's capital expenditures and other long term capital improvements. The capital financing policy adopted is designed to stabilize the contribution of the revenue fund towards capital expenditures at a level generally of 50 per cent. of the actual net capital financing requirements for each year. The current policy of Council is to allocate within the operating budget 6 mills to meet this expenditure. To the extent that this annual provision to finance capital expenditures out of current funds exceeds this limit, the excess is transferred to a capital financing stabilization reserve; conversely, if such annual provision amounts to less than the 50 per cent. guideline, the shortfall is met by a draw upon the reserve.

As a result of 1986 capital operations and in accordance with this policy, an amount of \$53,677,000 was utilized from current operations to finance capital expenditures while \$6,708,000 was transferred from the reserve. The balance of this reserve is \$14,088,000 as at December 31, 1986.

GUIDELINES FOR FUTURE CAPITAL EXPENDITURE

In 1985, Metropolitan Council approved a ten-year plan of capital expenditure and associated debt management guidelines, following a comprehensive financial planning study designed to identify measures to further control the Corporation's capital expenditures and debt servicing charges within limits considered necessary to achieve multi-year financial targets established by Council. The study projected over a 10-year period the levels of net capital expenditures in various functional areas, with a view to determining priorities as between competing service demands for capital resources and relating such multi-year expenditure levels and priorities to debt management policy guidelines.

Recommendations included:

- a) specific net capital expenditure targets for the next five years and further five year targets to be utilized as a planning guide;
- b) specific criteria for the management of debt;
- c) a process to review and update the plan on an annual basis.

The expenditure targets approved by Metropolitan Council are based on three key criteria:

- a) percentage of fixed debt charges in the levy should average no more than 15 per cent.;
- b) percentage of net capital expenditure to be raised in the levy should be no less than 50 per cent.; and
- c) the mill rate should increase each year by no more than the inflation rate within the economy as measured by the Consumer Price Index.

These guidelines form the basis of the Budget Sub-Committee's review of future Five-Year Capital Works Programs; any revisions to long term capital expenditure targets arising from such reviews are to be the subject of subsequent reports to Metropolitan Council.

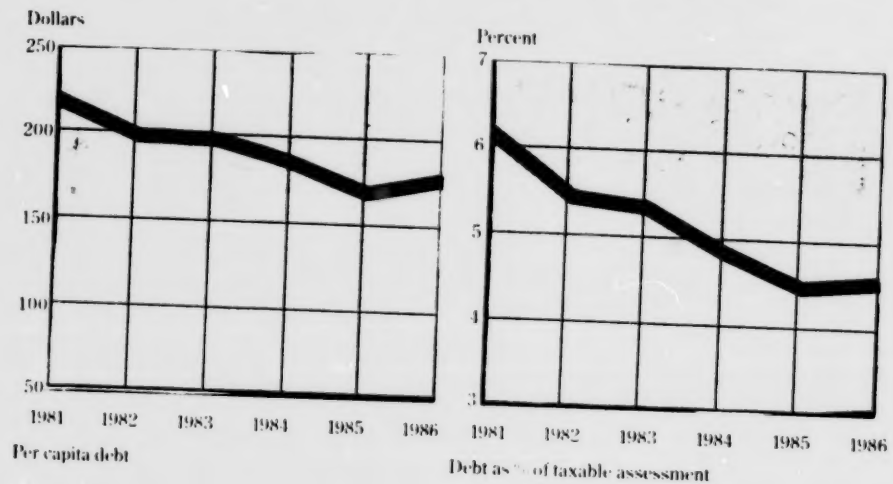
DEBT STRUCTURE

The table below portrays the net long term liabilities of the Municipality of Metropolitan Toronto over the last six years in respect of its own general municipal activities and municipal enterprises (exclusive of those of the Area Municipalities). Net long term liabilities in respect of general municipal purposes are also expressed on a per capita basis and as a percentage of taxable assessment.

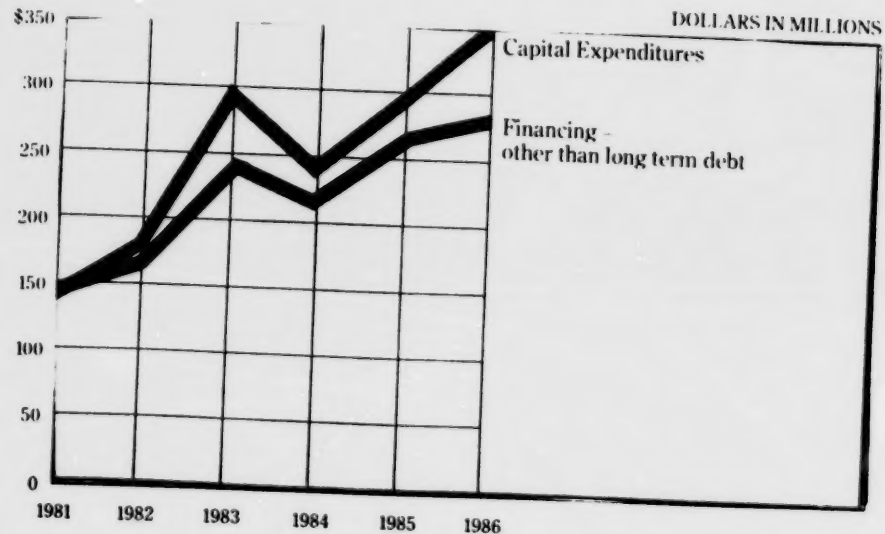
DOLLARS IN THOUSANDS, EXCEPT PER CAPITA FIGURES

	General Municipal Activities	Per Capita	% of Taxable Assessment	Municipal Enterprises
1981	\$452,608	\$214	6.1	\$136,189
1982	419,148	197	5.4	123,293
1983	415,318	196	5.3	109,636
1984	388,949	182	4.8	96,298
1985	358,207	167	4.4	83,948
1986	374,489	176	4.5	71,955

Metropolitan Council's capital financing policy involving a "pay-as-you-go" annual provision of 50 per cent. of capital borrowing requirements, as previously described, has been over the last several years one of the most significant contributing factors in the general decline of the Corporation's long term debt. Depicted below is an illustration of such decline expressed in per capita terms and as a percentage of taxable assessment.



This "pay-as-you-go" capital financing policy is further highlighted in the following chart which portrays the Corporation's capital expenditures over the last six years together with all sources of financing other than long term debt.



DEBT SERVICING

During the past 6 years, debt service charges for the general municipal purposes of the Metropolitan Corporation, as a percentage of the annual general tax levy on Metropolitan taxpayers, have declined from 19.6 per cent. to 13.9 per cent. and as a percentage of gross expenditure from 10.3 per cent. to 6.7 per cent. as shown by the following tables:

DOLLARS IN THOUSANDS

	Debt Charges	General Tax Levy	Percentage
1981	\$87,178	\$444,541	19.6
1982	85,853	493,162	17.4
1983	87,744	547,650	16.0
1984	91,797	606,231	15.1
1985	93,936	635,820	14.8
1986	93,871	674,474	13.9

	Debt Charges	Gross Expenditure	Percentage
1981	\$87,178	\$ 843,425	10.3
1982	85,853	1,004,221	8.5
1983	87,744	1,112,253	7.9
1984	91,797	1,219,647	7.5
1985	93,936	1,310,864	7.2
1986	93,871	1,402,540	6.7

DEBT RECORD

The Metropolitan Corporation has consistently paid the full amount of the principal and interest for every security issued by it, or for which it has become liable; all when due and in the lawful currency of the country where it became payable.

Included in the Statistical section is information in tabular and graphic form relating to the total debenture debt of the Metropolitan Area. In addition, a comprehensive portrayal of Metropolitan Corporation Debenture Debt is contained in the Municipality's Debenture Debt Report issued annually, copies of which are available at the address indicated on the back cover of this Report.

SINKING FUNDS

The Municipality of Metropolitan Toronto Act provides that upon the issuance of sinking fund debentures, a specific sum shall be levied annually which, together with interest capitalized yearly thereon at an interest rate not exceeding 8%, will be sufficient to repay the debentures in full at maturity.

As a result of the actuarial interest rates employed, surplus earnings related to debt service for all the participants in the funds have consistently been achieved and have been applied, where applicable, to reduce levies for debt service during the term of the debentures. The reserve for abatement of such levies as at December 31, 1986 amounted to \$65,289,000 in the Canadian Fund and US\$21,076,000 in the U.S. Fund. In addition, amounts of Cdn\$22,829,000 and US\$7,695,000 of surplus funds, accumulated in excess of debts at maturity, are payable to the participants in the Funds. The sinking fund accumulated surplus in excess of the actuarial requirements and the reserve for abatement of future levies amounted to \$38,076,000 in the Canadian Fund and US\$8,300,000 in the U.S. Fund at December 31, 1986.

SIGNIFICANT ACTIVITIES

THE MARKETING OF METROPOLITAN TORONTO

In 1986, the Economic Development Division of the Office of the Metropolitan Chairman expanded its activities by aggressively promoting Metropolitan Toronto through media advertising and participation in major international trade shows.

The Division is also working with an Advisory Council made up of politicians, labour, education, and the private sector. The purpose of this Council is to develop a Metropolitan Strategy for the future, which will expand the community's role as an exporter of goods and services within Canada, and most importantly at the international level. It is Metro-

politan Toronto's future ability to participate in the "traded sectors" which will generate the greatest economic payback to the Metropolitan area municipalities and their residents.

The Division's functions are related to the creation of employment opportunities in Metropolitan Toronto, the support of new growth and assessment, the retention of existing business, and, generally, the creation of an increased awareness of the Metropolitan community. As such, its activities are essentially policy analysis, marketing, inter-governmental liaison, coordinating, consulting and informing.

TRANSPORTATION

During 1986, the Toronto Transit Commission set another ridership record, carrying 441,012,000 passengers. This increase of 8.9 million riders over 1985 exceeded the Commission's forecast by 4 million, and, coupled with a January fare change budgeted to increase the average fare by 6.8%, the T.T.C. was again able to exceed its target of obtaining 68% of operating expenses from revenues. With revenues meeting 69.5% of operating costs, the Commission was able to reduce by \$6.6 million the budgeted level of financial support needed from Metropolitan Toronto taxpayers. Much of the increased patronage throughout 1986 can be attributed to a robust economy in Metropolitan Toronto and recognition of the T.T.C.'s good value and service.

In addition, 1986 proved to be another award-winning year for the Commission as years of planning, building, operating and maintaining the system to provide the best possible service to riders were rewarded with five major honours, including the Outstanding Achievement Award given by the American Public Transit Association.

The ongoing support of Metropolitan Council and the Province of Ontario was again evident in 1986 when Council voted its approval of the Sheppard Avenue Subway, the first stage of a rapid transit master plan to meet the Metropolitan area's transit needs into the 21st century. As important decisions approach on transportation projects and priorities, it is becoming increasingly clear that a continued spirit of co-operation with Metropolitan Toronto's municipal neighbours will be essential if the Commission is to preserve its reputation as one of the finest public transit systems in the world.

HUMAN RESOURCE INITIATIVES

By far the greatest component of the operating budget of the Municipality of Metropolitan Toronto relates to salaries, wages and employee benefits, and accordingly the management of the Corporation's human resources has always assumed paramount importance.

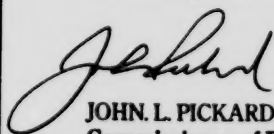
During 1986, the Metropolitan Personnel Department continued to take a leadership role in providing a human resource development system tied to organizational goals and career development. In addition to establishing and providing a core curriculum in basic supervisory and management training, new initiatives have included the establishment of the Corporate Management Development Secondment Program, regular Career Planning Workshops, and a Career Awareness Centre. The Personnel Department also manages Metropolitan Toronto's Employee Assistance Program which provides personal counselling, rehabilitation counselling, health services, and retirement planning for employees.

These programs form the basis of an overall strategy for human resource management linking together the personal goals of the employee with the goals of the organization.

CONCLUSION

The endeavours of members and staff of Metropolitan Council continue to be based on prudent and thoughtful financial management policies, geared to improved effectiveness in the determination of spending priorities, in the allocation of resources and in preserving accountability and control. Accordingly, the Municipality further consolidated its financial position in 1986, meeting increased demands for municipal services while staying within its resources.

Respectfully submitted,

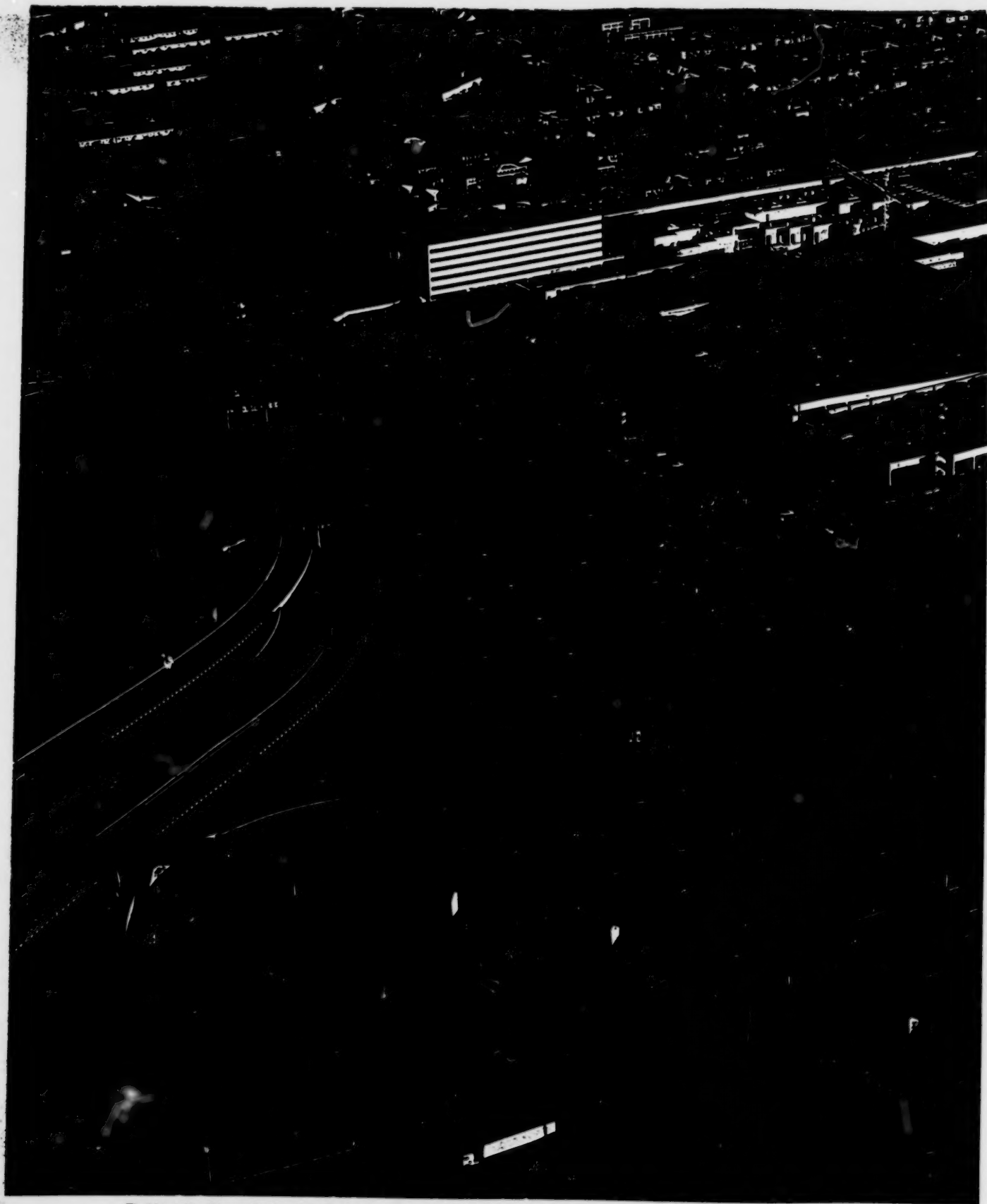


JOHN L. PICKARD, B. COM., F.C.A.
Commissioner of Finance and Treasurer

August, 1987



Eastley Filtration Plant in Scarborough, operated by the Metropolitan Department of Works - part of a 454 km. network of water transmission mains, supplying a daily average of 1.4 million cubic metres of treated water, and keeping pace with the expanding needs of the Metropolitan residential, commercial and industrial communities.



The Metropolitan Toronto Roads and Traffic Department is responsible for the maintenance and operation of the major traffic arterials in Metropolitan Toronto. This aerial view depicts part of the 713 km. road network under metropolitan jurisdiction. The Spadina Subway line may be observed at the right.

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1

Allan G. Andrews, C.A., *Metropolitan Auditor*

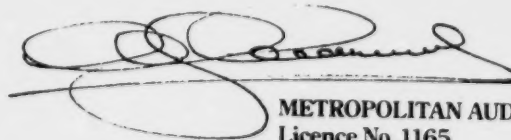
June 16, 1987

AUDITOR'S REPORT

**The Chairman and Members of the
Metropolitan Council of the
Municipality of Metropolitan Toronto**

I have examined the consolidated balance sheet of the Municipality of Metropolitan Toronto as at December 31, 1986 and the consolidated statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Municipality as at December 31, 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities applied on a basis consistent with that of the preceding year.



METROPOLITAN AUDITOR
Licence No. 1165

MUNICIPALITY OF METROPOLITAN TORONTO

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1986

ASSETS	1986	1985
Unrestricted		
Cash	\$ 19,407	\$ 7,766
Investments (note 3)	262,019	187,971
User charges receivable	45,078	40,475
Accounts receivable (note 4)	149,777	162,802
Other current assets	41,351	34,164
Long term receivables	2,578	2,405
	520,210	435,583
Restricted		
Cash	156	115
Investments (note 3)	25,246	18,498
Accounts receivable	29,285	656
Other current assets	133	126
	54,820	19,395
Capital outlay financed by long term liabilities and to be recovered in future years (note 7)	446,444	442,155
	\$1,021,474	\$ 897,133

DOLLARS IN THOUSANDS

LIABILITIES AND FUND BALANCES

1986

1985

Current liabilities

Temporary loans

\$ 4,799 \$ 5,811

Accounts payable and accrued liabilities (notes 5, 6, 13)

368,346 267,994

Other current liabilities (note 4)

31,919 32,414

405,064 306,219

Long term payables

14,745 13,536

Deferred Ontario Income Tax

1,204 1,013

Net long term liabilities (note 7)

446,444 442,155

Fund balances at end of year (notes 9, 10, 11)

To be used to offset taxation or user charges

52,710 57,308

Transit operations

(20,071) (17,819)

Capital operations not yet permanently financed

(14,850) (2,412)

Reserves

82,295 78,078

Reserve funds

53,933 19,055

\$1,021,474 \$ 897,133

MUNICIPALITY OF METROPOLITAN TORONTO

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1986

SOURCES OF FINANCING	1986	1985
Taxation and user charges		
Requisition on local municipalities	\$2,053,264	\$1,890,265
Less school board requisition	(1,315,310)	(1,184,910)
User charges	589,982	542,184
Grants		
Government of Canada	1,574	1,855
Province of Ontario	655,029	603,172
Other		
Investment income	23,998	20,860
Sale of land	8,966	2,819
Fines	29,740	22,474
Other	32,413	34,413
Proceeds from the issue of long term liabilities	63,359	11,433
Municipal fund balances at beginning of year (note 10)		
To be used to offset taxation or user charges	57,308	55,329
Transit operations	(17,819)	(10,614)
Unexpended capital financing (Capital operations not yet permanently financed)	(2,412)	17,029
	\$2,180,092	\$2,006,339

DOLLARS IN THOUSANDS

APPLIED TO

1986

1985

Current operations

General government	\$ 56,888	\$ 51,661
Protection to persons and property	365,641	348,191
Transportation services	564,972	540,233
Environmental services	191,849	192,564
Health services	41,185	37,575
Social and family services	429,502	374,775
Recreation and cultural services	109,629	112,190
Planning and development	11,332	8,511

1,770,998

1,665,700

Capital operations

General government	618	432
Protection to persons and property	40,986	23,550
Transportation services	221,047	203,133
Environmental services	48,497	38,051
Health services	3,401	3,492
Social and family services	17,198	7,114
Recreation and cultural services	20,388	17,669
Planning and development	75	46

352,210

293,487

Net appropriations to reserves and reserve funds

39,095

10,075

Municipal fund balances at end of year (note 10)

To be used to offset taxation or user charges	52,710	57,308
Transit operations	(20,071)	(17,819)
Unexpended capital financing (Capital operations not yet permanently financed)	(14,850)	(2,412)

\$2,180,092

\$2,006,339

MUNICIPALITY OF METROPOLITAN TORONTO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1986

1. ACCOUNTING POLICIES

The consolidated financial statements of the Municipality of Metropolitan Toronto are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) Basis of Consolidation

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following boards and municipal enterprises which are under the control of Council:

Metropolitan Board of Commissioners of Police
Metropolitan Licensing Commission
Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Toronto Transit Commission
Gray Coach Lines, Limited
Board of Governors of Exhibition Place
Board of Management of the O'Keefe Centre
Board of Management of the Metropolitan Toronto Zoo
Board of Management of the Guild

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

The Consolidated Statement of Operations reflects the Metropolitan Toronto Education Levy requisitioned upon the Metropolitan Toronto area municipalities and the subsequent transfer thereof to the Metropolitan Toronto School Board.

(ii) Non-consolidated entities

The following entities are not consolidated:

Metropolitan Toronto Housing Company, Ltd.;
Metropolitan Toronto Singles Housing Corporation;
Metropolitan Toronto School Board

(iii) Trust funds

Trust funds and their related operations administered by the Municipality are not consolidated but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

(b) Basis of Accounting

(i) Revenue and expenditure recognition

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Charges for long term liabilities

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they are paid.

(iii) Fixed assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iv) Capital outlay financed by long term liabilities and to be recovered in future years

"Capital Outlay financed by long term liabilities and to be recovered in future years," which represents the outstanding principal portion of unmatured long term liabilities for municipal expenditures, the value of long term obligations arising out of capital leases entered into by the Municipality and its local boards, and capital funds transferred to other organizations, is reported on the Consolidated Balance Sheet.

(v) Restatement to municipal basis of accounting

The Toronto Transit Commission and Gray Coach Lines, Limited adopt a commercial basis of accounting in the reporting of their operational and financial results; the financial statements of these entities have been restated to reflect a municipal basis of accounting prior to their incorporation in these consolidated financial statements (see also Note 9).

(vi) Liabilities payable in foreign currencies

Long term debt payable in foreign currencies has been translated into Canadian funds at the exchange rates prevailing at the time the debt was incurred.

(vii) Inventories

Inventories are valued at average cost.

2. TRUST FUNDS

Trust funds administered by the Municipality and its local boards amounting to \$21,934,000 (1985 - \$19,632,000) have not been included in the Consolidated Balance Sheet nor have their operations been included in the Consolidated Statement of Operations.

3. INVESTMENTS

The unrestricted investments of \$262,019,000 (1985 - \$187,971,000) and restricted investments of \$25,246,000 (1985 - \$18,498,000) are recorded on the Consolidated Balance Sheet at cost. The market value of these investments at the end of the year approximates cost.

4. SINKING FUNDS SURPLUS MONIES

The Sinking fund balances reflected in the value of net long term liabilities at the end of the year do not include specific accumulations at that date in excess of the total related debt. These accumulations amounting to \$15,335,000 in 1986 (1985 - \$17,383,000) are subject to a decision of The Metropolitan Council as to their use for either capital or current purposes. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Consolidated Balance Sheet under "Other Current Liabilities."

5. LIABILITY FOR PAST SERVICE PROVISION OF PENSION AGREEMENTS

The Municipality of Metropolitan Toronto and its various local boards and municipal enterprises maintain a number of pension plans, with most employees participating in contributory plans that provide pensions based on length of service and final average earnings.

Approximately 46% of these employees are members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan, benefits under which are provided in accordance with a defined benefit plan. The amount for which the Metropolitan Corporation, its local boards and municipal enterprises is obliged to fund past service cannot be quantified and the cost of pension benefits under this plan is the contribution required in each year from the Municipality, its boards and enterprises.

The balance of employees (which include all employees of the Toronto Transit Commission and 25% of Police Commission employees) are members of other pension plans. Based on projections of employees' compensation levels to time of retirement, actuarial estimates indicate that the present value of the unfunded obligations for pension benefits relating to past service in regard to these plans was \$70,327,000 as at December 31, 1986 (1985 - \$87,520,000). This balance is being funded and charged to operations as follows:

DOLLARS IN THOUSANDS				
	1987 to 1989	1990 to 1992	1993 to 1994	Total
To be recovered from				
General municipal revenue	\$29,330	\$28,647	\$11,126	\$69,103
Municipal enterprises	612	612	-	1,224
	\$29,942	\$29,259	\$11,126	\$70,327

No provision has been made in the accounts for this obligation and the expense is recorded as funded annually. In this regard, expenditure of \$11,010,000 was funded in 1986 (1985 - \$12,226,000) and is reported on the Consolidated Statement of Operations.

6. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the employment of the Municipality and the following local boards and municipal enterprises:

Metropolitan Waterworks System
Metropolitan Toronto Library Board
Board of Governors of Exhibition Place
Board of Management of the Metropolitan Toronto Zoo
Metropolitan Toronto Housing Company, Limited

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$85,159,000 (1985 - \$79,005,000) at the end of the year.

In order to provide for this past service liability the Municipality has established a Corporate Sick Pay Reserve Fund. Contributions to this reserve fund are based on amounts deemed to be sufficient to provide for anticipated payments over a given period of time, and, over the next nine years, will be as follows:

DOLLARS IN THOUSANDS			
	1987 to 1989	1990 to 1992	1993 to 1995
Municipality	\$6,392	\$6,392	\$6,392
Other participants	498	498	498

During 1986, the contributions to the reserve fund by the Municipality and other participants amounted to \$2,338,000 and \$184,000 respectively. At December 31, 1986, the balance of the Corporate Sick Pay Reserve Fund was \$15,557,000 (1985 - \$16,215,000).

7. NET LONG TERM LIABILITIES

The net long term liabilities of the Municipality are comprised of debenture debt issued by the Municipality and long term obligations incurred by the Municipality and its local boards.

(a) Debenture debt

Under the provisions of the Municipality of Metropolitan Toronto Act, the Metropolitan Corporation has the sole responsibility for borrowing money for its own account, the accounts of its local boards and municipal enterprises, and for the accounts of its area municipalities and their local boards, municipal enterprises and utilities. It also assumed, under the provisions of the Act, certain debt incurred directly by its area municipalities prior to this statutory responsibility. Where money is borrowed or debt assumed on behalf of other bodies, repayment of the related debt servicing requirements is made by these bodies to the Municipality.

(b) Other long term obligations

This category comprises:

DOLLARS IN THOUSANDS		
	1986	1985
Lease purchase agreements		
Animal Domain Ride		
- Metropolitan Toronto Zoo	\$ 2,386	\$ 2,760
Computer equipment		
-Metropolitan Police Commission	2,383	3,114
Computer equipment - Metropolitan Department of Ambulance Services	141	197
Computer equipment		
- Metropolitan Toronto Library Board	245	-
	5,155	6,071
Long term interest free loan payable to Province of Ontario for expansion of Exhibition Stadium	6,601	7,142
	\$11,756	\$13,213

(c) Reconciliation of gross long term liabilities with net long term liabilities as reported on the Consolidated Balance Sheet

DOLLARS IN THOUSANDS		
	1986	1985
Total long term liabilities incurred by the Municipality, including those incurred on behalf of school boards, other municipalities and municipal enterprises, and outstanding at the end of the year amount to	\$1,312,672	\$1,381,950
In addition, the Municipality has assumed responsibility for the payment of principal and interest charges on certain long term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is	545	616
Other long term obligations arising out of capital leases entered into, and long term loans incurred, by the Municipality and its local boards and outstanding at the end of the year amount to	11,756	13,213
	1,324,973	1,395,779
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by school boards, other municipalities and by the Province of Ontario. At the end of the year, the outstanding principal amount of this liability is	(474,017)	(551,213)
The total value of sinking funds and the balance in the Ministry of the Environment Debt Retirement Fund which have been accumulated to the end of the year to retire the outstanding long term liabilities included above amount to	(404,512)	(402,411)
Net long term liabilities	\$ 446,444	\$ 442,155

(d) Net long term liabilities – future redemption

Of the net long term liabilities reported in (c) of this note, \$159,148,000 in principal payments are payable from 1987 to 1991, \$129,503,000 from 1992 to 1996, and \$23,244,000 thereafter, and are summarized as follows:

DOLLARS IN THOUSANDS				
	1987 to 1991	1992 to 1996	1997 and thereafter	Total
From general municipal revenues	\$133,602	\$107,449	\$19,610	\$260,661
From consolidated municipal enterprises	25,546	22,054	3,634	51,234
	\$159,148	\$129,503	\$23,244	\$311,895

The difference between the total of principal redemption indicated above (\$311,895,000) and the total of net long term liabilities reported in note 7 (c) (\$446,444,000) is related to the following two factors:

- (i) Long term liabilities payable in U.S. funds reported in note (c) have been translated into Canadian funds at the exchange rates prevailing at the time the debt was incurred, whereas the projections of principal redemption above are based on \$1 US = \$1 Canadian.
 - (ii) The projections of principal redemption indicated above are based on the premise that actuarial sinking fund deposits (in respect of sinking fund debentures) will earn interest, capitalized yearly thereon, at a rate not exceeding 8% and which will be sufficient to repay such debentures in full at maturity.
- (e) Translation of net long term liabilities payable in foreign currencies**

Included in "Net long term liabilities" on the Consolidated Balance Sheet is an amount of \$151,037,000 (1985 - \$168,999,000) payable in U.S. funds and translated into Canadian funds at the rates of exchange prevailing at the time the liability was incurred. If translated at the exchange rate prevailing at December 31, 1986, the Canadian dollar equivalent of this amount of debt would be increased by \$45,880,000 (1985 - \$54,546,000).

(f) Ontario Municipal Board

Approval of the Ontario Municipal Board has been obtained for the debenture debt reported in (c) of this note issued in the name of the Municipality.

(g) Long term liabilities incurred on behalf of area municipalities and school boards

The Municipality is contingently liable for long term liabilities for which the responsibility for the payment of principal and interest has been assumed by other municipalities and school boards. The total amount outstanding as at December 31, 1986 is \$460,573,000 (1985 - \$537,769,000) and is not recorded on the Consolidated Balance Sheet.

8. CHARGES FOR NET LONG TERM LIABILITIES

Total charges for the year for net long term liabilities which are reported on the Consolidated Statement of Operations are as follows:

DOLLARS IN THOUSANDS		
	1986	1985
Principal payments including contributions to sinking funds and the Ministry of the Environment Debt Retirement Fund	\$ 35,313	\$ 36,200
Interest	82,547	101,871
	\$117,860	\$138,071

The charges for long term liabilities assumed by other municipalities and school boards are not reflected in these statements.

9. EFFECT OF ADOPTION OF MUNICIPAL ACCOUNTING CONVENTIONS

As indicated in Note 1(b)(v), the operations and results of the Toronto Transit Commission and Gray Coach Lines, Limited, accounted for on a commercial basis, have been restated to a municipal basis of accounting prior to their incorporation in these consolidated financial statements. The effect of this restatement is as follows:

	DOLLARS IN THOUSANDS	
	1986	1985
Equity on a commercial basis	\$ 61,430	\$ 59,075
Reduction in equity due to restatement	(81,501)	(76,894)
Deficit on a municipal basis	\$(20,071)	\$(17,819)

10. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

The balances on the Consolidated Statement of Operations of municipal equity of \$17,789,000 (1985 - \$37,077,000) at the end of the year are comprised of the following:

	DOLLARS IN THOUSANDS	
	1986	1985
For general reduction of taxation	\$52,710	\$37,589
For general reduction of user charges	-	19,719
	52,710	57,308
Transit operations - deficit arising as a result of restatement to municipal basis of accounting	(20,071)	(17,819)
Acquisition of fixed assets to be recovered through taxation or user charges	(41,443)	(43,068)
Acquisition of fixed assets to be financed from the proceeds of long term liabilities	(41,443)	(43,068)
Funds available for the acquisition of fixed assets	68,036	83,724
	(14,850)	(2,412)
	\$17,789	\$37,077

Approval of the Ontario Municipal Board has been obtained for the pending issues of long term liabilities.

11. RESERVES AND RESERVE FUNDS

The total balances of reserves and reserve funds of \$82,295,000 (1985 - \$78,078,000) and \$53,933,000 (1985 - \$19,055,000) respectively are made up of the following:

	DOLLARS IN THOUSANDS	
	1986	1985
Reserves set aside for specific purposes by Council		
Exchange stabilization	\$ 4,987	\$ 4,698
Replacement of equipment	3,838	4,654
Sick pay benefits	2,869	2,274
Capital financing stabilization	19,731	23,503
Parks and recreation program facilities	1,089	1,089
Water rates stabilization	10,000	10,000
Transit purposes	15,000	12,000
Contingencies	24,781	19,860
	82,295	78,078

	DOLLARS IN THOUSANDS	
	1986	1985
Reserve funds set aside for specific purposes by Council		
Insurance	\$ 4,438	\$ 1,149
Sick pay benefits	15,545	16,205
Parks and recreation program facilities	5,679	1,475
Pollution control	24,882	-
Property settlement	3,118	-
Other	138	100
	53,800	18,929
Reserve funds set aside for specific purposes by legislation, regulation or agreement		
Contingencies re. Lakeview Sewage Treatment Plant	133	126
	53,933	19,055
	\$136,228	\$97,133

12. CAPITAL FINANCING STABILIZATION RESERVE

(a) General municipal purposes

A Capital Financing Stabilization Reserve has been established for the purpose of stabilizing the contribution of the revenue fund towards capital expenditure at a level no greater than 50 per cent of the actual net capital financing requirements for the year. The current policy of Council for financing net capital expenditures is to meet up to 50 per cent of the required financing by an annual current levy and transfers, where necessary and available, from the Stabilization Reserve, the balance being provided from excess sinking fund earnings and debenture proceeds; conversely if the annual current levy produces a sum of funds in excess of the 50 per cent guideline, such excess is transferred to the Reserve.

Resulting from 1986 capital operations and in accord with this policy, an amount of \$53,677,000 was utilized from current operations to finance capital expenditures while \$6,708,000 was transferred from the reserve. The balance of this Reserve was \$14,088,000 as at December 31, 1986. (1985 - \$20,796,000).

(b) Waterworks purposes

A Capital Financing Stabilization Reserve similar to the above has been established for Waterworks purposes. The balance of the Reserve was \$5,642,000 as at December 31, 1986. (1985 - \$2,707,000).

13. CONTRACTUAL OBLIGATIONS

(a) Contribution towards domed stadium

Metropolitan Council, on January 22, 1985, approved a contribution towards the capital cost of construction of a domed stadium in a total amount not to exceed the lesser of \$30 million, or 20 per cent of the total cost of the project. This contribution was approved as a current expenditure to be financed over a period of five years commencing in 1985 through the establishment and maintenance of a reserve fund with provision being made annually in the current estimates as follows:

1985	\$ 500,000
1986	\$7,200,000
1987	\$7,200,000
1988	\$7,200,000
1989	\$7,900,000

In addition, Council adopted as policy that it would not be responsible for any operating costs or financial losses of the stadium, nor provide any grants to related organizations.

(b) Property settlements outstanding

Due to the lengthy processes involved in the agreement of the valuation of properties expropriated for capital improvements, there were a number of settlements outstanding at the end of the year. In view of the complexities of arriving at valuations of such properties, no liability has been determined or recorded for such property settlements outstanding as at December 31, 1986.

14. COMPARATIVE FIGURES

Certain of the 1985 figures presented here for comparative purposes have been restated to conform with the current year's presentation.

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF CURRENT OPERATIONS

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Surplus at beginning of year	\$ 39,489	\$ 44,715
Revenue		
Taxation and user charges		
Requisition on local municipalities	2,053,264	1,890,265
Less school board requisition	(1,315,310)	(1,184,910)
User charges	589,551	541,991
Grants		
Government of Canada	1,574	1,026
Province of Ontario	510,294	460,665
Other		
Investment income	21,468	18,918
Sale of land	4,714	508
Fines	29,740	22,474
Other	10,726	31,298
	1,901,021	1,782,235
Expenditure		
General government	65,133	65,038
Protection to persons and property	387,458	363,631
Transportation services	606,014	584,382
Environmental services	237,929	224,937
Health services	44,144	40,726
Social and family services	434,139	377,705
Recreation and cultural services	126,661	122,478
Planning and development	11,393	8,564
	1,912,871	1,787,461
Surplus at end of year	\$ 32,639	\$ 39,489

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF CAPITAL OPERATIONS

YEAR ENDED DECEMBER 31, 1986

DOLLARS IN THOUSANDS

	1986	1985
Unexpended capital financing (Capital operations not yet permanently financed) at beginning of year	\$ (2,412)	\$ 17,029
Financing		
Contributions from current operations	91,418	87,550
Contributions from reserve funds and reserves	11,585	4,023
Long term liabilities incurred	64,243	11,645
Ontario grants	144,735	142,507
Other	25,749	26,566
	337,730	272,291
Expenditure		
General government	637	455
Protection to persons and property	41,184	23,550
Transportation services	222,657	201,172
Environmental services	48,806	38,185
Health services	3,401	3,494
Social and family services	17,198	7,115
Recreation and cultural services	16,210	17,715
Planning and development	75	46
	350,168	291,732
(Capital operations not yet permanently financed) at end of year	\$ (14,850)	\$ (2,412)

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF RESERVES AND RESERVE FUNDS

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Balance at beginning of year	\$ 97,133	\$87,058
Revenue		
Contributions from current operations	67,089	46,727
Contributions from capital operations	3,118	7
Contributions from others	757	382
Interest earned	2,530	1,942
	73,494	49,058
Expenditure		
Transfers to current operations	110	20,403
Transfers to capital operations	11,585	4,023
Other charges	22,704	14,557
	34,399	38,983
Balance at end of year	\$136,228	\$97,133

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF RESERVES AND RESERVE FUNDS (continued)

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Analyzed as follows:		
Reserves		
Exchange stabilization	\$ 4,987	\$ 4,698
Replacement of equipment	3,838	4,654
Sick pay benefits	2,869	2,274
Capital financing stabilization	19,731	23,503
Parks and recreation program facilities	1,089	1,089
Water rates stabilization	10,000	10,000
Transit purposes	15,000	12,000
Contingencies	24,781	19,860
	82,295	78,078
Reserve Funds		
Insurance	4,438	1,149
Sick pay benefits	15,545	16,205
Parks and recreation program facilities	5,679	1,475
Pollution control	24,882	-
Property settlement	3,118	-
Contingencies	133	126
Other	138	100
	53,933	19,055
Balance at end of year	\$136,228	\$97,133

CONSOLIDATED LOCAL BOARDS, COMMISSIONS AND AGENCIES

METROPOLITAN WATERWORKS SYSTEM

439 University Avenue
10th Floor
Toronto, Ontario
M5G 1Y8

METROPOLITAN TORONTO LIBRARY BOARD

789 Yonge Street
Toronto, Ontario
M4W 2G8

TORONTO TRANSIT COMMISSION

1900 Yonge Street
Toronto, Ontario
M4S 1Z2

GRAY COACH LINES LTD.

580 Commissioners Street
Toronto, Ontario
M4M 1A7

BOARD OF GOVERNORS OF EXHIBITION PLACE

Exhibition Place
Toronto, Ontario
M6K 3C3

BOARD OF MANAGEMENT OF THE METROPOLITAN TORONTO ZOO

Box 280
West Hill, Ontario
M1E 4R5

BOARD OF MANAGEMENT OF THE O'KEEFE CENTRE

1 Front Street East
Toronto, Ontario
M5E 1B2

BOARD OF MANAGEMENT OF THE GUILD

Guildwood Parkway
Scarborough, Ontario
M1E 1P6



The Don Valley Golf Course, nestled below the rushing traffic of Hwy. 401, is one of five public courses operated by the Metropolitan Department of Parks and Property.

Metropolitan Council in adopting its 10-year Concept Plan of Major Recreation Facilities noted that "...recreation pursuits were shifting to more casual, individual, adult-oriented activities, providing opportunities for socialization, self-fulfilment and lifestyle enrichment..."



This scenic Lake Ontario shoreline along the breathtaking Scarborough bluffs provides the backdrop for a massive recreational network that includes a large waterfront park and three yacht clubs.

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METROPOLITAN ASSESSMENT

LAST SIX FISCAL YEARS

DOLLARS IN THOUSANDS, EXCEPT PER CAPITA FIGURES

Year	Residential*	Commercial	Total	Total Assessment per Capita
1981	4,266,197	3,820,133	8,086,330	3,831
1982	4,375,412	4,021,747	8,397,159	3,956
1983	4,489,762	4,045,484	8,535,246	4,018
1984	4,579,090	4,133,651	8,712,741	4,087
1985	4,623,797	4,211,612	8,835,409	4,117
1986	4,630,423	4,315,798	8,946,221	4,198

*The above statement records unweighted assessment for both residential and commercial purposes. However, as indicated on page 24, commencing in 1984 provincial legislative changes provide for the Metropolitan general tax levy, distributed to each area municipality, to reflect weighted residential assessment.

DISTRIBUTION OF METROPOLITAN LEVIES - 1986

DOLLARS IN THOUSANDS

Area Municipality	General Levy		Education Levy			Total Levy		
	Levy	%	Public	Secondary	Total	%	Amount	%
City of Toronto	\$268,605	40.4	\$285,088	\$243,721	\$ 528,809	40.8	\$ 797,414	40.7
City of North York	151,781	22.9	151,625	142,006	293,631	22.7	445,412	22.7
City of Scarborough	101,135	15.2	104,023	94,071	198,094	15.3	299,229	15.3
City of Etobicoke	97,550	14.7	95,480	90,822	186,302	14.4	283,852	14.5
City of York	23,872	3.6	22,429	22,410	44,839	3.5	68,711	3.5
Borough of East York	21,003	3.2	22,847	19,981	42,828	3.3	63,831	3.3
	\$663,946	100.0	\$681,492	\$613,011	\$1,294,503	100.0	\$1,958,449	100.0

COMPARATIVE STATEMENT OF POPULATION, TAX LEVIES AND COLLECTION OF THE METROPOLITAN AREA MUNICIPALITIES

DOLLARS IN THOUSANDS, EXCEPT PER CAPITA FIGURES

Year	Population	Total Current Tax Levy		Tax Collection as % of Current Tax Levy	
		Amount	Per Capita	Current	Current and Arrears
1977	2,150,151	\$1,160,066	\$ 540	94.9	97.4
1978	2,137,867	1,228,970	575	95.7	100.4
1979	2,155,724	1,343,837	623	95.4	99.6
1980	2,113,552	1,471,971	696	96.2	101.4
1981	2,110,973	1,650,999	782	95.8	99.8
1982	2,122,369	1,891,075	891	96.0	100.0
1983	2,124,085	2,091,270	985	96.4	100.4
1984	2,131,942	2,283,463	1,071	96.9	100.6
1985	2,145,900	2,457,939	1,145	97.3	99.7
1986	2,130,938	2,670,872	1,253	97.3	98.9

STATEMENT OF TAX LEVIES AND COLLECTIONS OF THE METROPOLITAN AREA MUNICIPALITIES, 1986

DOLLARS IN THOUSANDS, EXCEPT PER CAPITA FIGURES

Area Municipality	Current Tax Levies - (including penalties and interest) -				Per Capita	Tax Collections as a % of Current Tax Levies	
	Own Purposes	Metropolitan Corporation	Education	Total Taxation		Current	Current and Arrears
City of Toronto	\$248,307	\$275,737	\$ 574,752	\$1,098,796	\$1,859	96.8	99.3
City of North York	116,209	151,121	325,386	592,716	1,075	97.6	97.9
City of Scarborough	94,532	99,305	214,106	407,943	884	97.7	98.3
City of Etobicoke	72,707	98,221	207,853	378,781	1,274	98.1	100.2
City of York	31,070	23,590	50,978	105,638	796	95.8	98.1
Borough of East York	19,973	21,179	45,846	86,998	896	98.6	99.3
	\$582,798	\$669,153	\$1,418,921	\$2,670,872	\$1,253	97.3	98.9

CONSOLIDATED CURRENT REVENUES BY SOURCE
LAST SIX FISCAL YEARS

Year	Taxation	Ontario Grants	User Charges	Other Grants	Investment Income	Fines
1981	\$499,092	\$295,238	\$342,713	\$ 291	\$29,244	\$13,925
1982	549,562	353,214	395,845	98	25,167	21,185
1983	610,693	399,335	448,809	2,111	13,631	22,728
1984	671,539	426,715	498,801	2,512	17,804	22,558
1985	705,355	460,665	541,991	1,026	18,918	22,474
1986	737,954	510,294	589,551	1,574	21,468	29,740

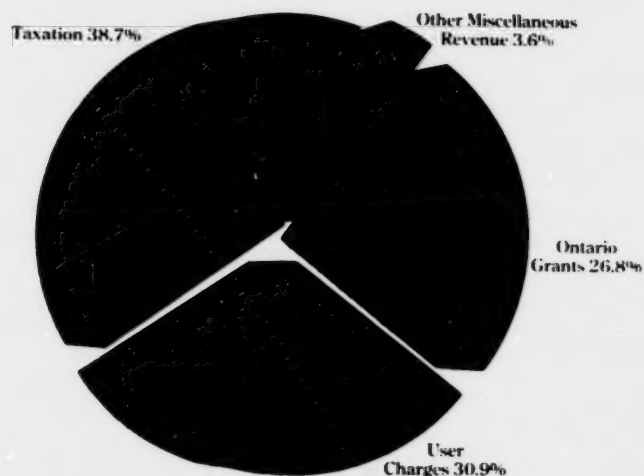
CONSOLIDATED CURRENT EXPENDITURES BY FUNCTION
LAST SIX FISCAL YEARS

Year	General Government	Protection to Persons and Property	Trans- portation Services	Environ- mental Services	Health Services	Social and Family Services	Recreation and Cultural Services
1981	\$33,828	\$254,961	\$410,663	\$154,669	\$25,671	\$203,701	\$ 80,115
1982	62,101	291,740	466,390	166,631	30,155	261,716	88,224
1983	49,646	315,461	506,369	184,710	34,368	322,282	98,650
1984	68,927	341,084	527,752	198,530	39,271	354,675	113,301
1985	65,038	363,631	584,382	224,937	40,726	377,705	122,478
1986	65,133	387,458	606,014	237,929	44,144	434,139	126,661

1986 CONSOLIDATED CURRENT REVENUES BY SOURCE

DOLLARS IN THOUSANDS

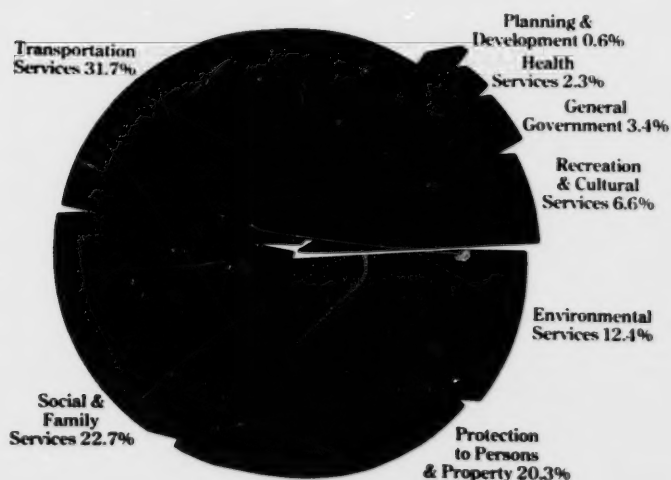
Other	Total
\$ 9,638	\$1,190,141
8,496	1,353,567
23,454	1,520,761
16,049	1,655,978
31,806	1,782,235
15,440	1,906,021



1986 CONSOLIDATED CURRENT EXPENDITURES BY FUNCTION

DOLLARS IN THOUSANDS

Planning and Development	Total
\$10,147	\$1,173,755
8,487	1,375,444
5,128	1,516,614
9,419	1,652,959
8,564	1,787,461
11,393	1,912,871



CONSOLIDATED CAPITAL FINANCING BY SOURCE
LAST SIX FISCAL YEARS

DOLLARS IN THOUSANDS

Year	Long-Term Liabilities Incurred	Contributions From Own Funds	Ontario Grants	Other	Total
1981	\$17,501	\$ 65,174	\$ 64,251	\$14,867	\$161,793
1982	10,145	56,449	86,771	16,848	170,213
1983	38,160	97,819	115,171	24,125	275,275
1984	18,901	64,957	123,773	28,058	235,689
1985	11,645	91,573	142,507	26,566	272,291
1986	64,243	103,003	144,735	25,749	337,730

CONSOLIDATED CAPITAL EXPENDITURES BY FUNCTION
LAST SIX FISCAL YEARS

Year	General Government	Protection to Persons and Property	Trans- portation Services	Environ- mental Services	Health Services	Social and Family Services	Recreation and Cultural Services
1981	\$801	\$ 7,022	\$ 92,874	\$25,528	\$1,996	\$ 3,929	\$ 8,169
1982	658	5,140	118,917	33,244	2,649	5,317	9,183
1983	432	21,457	174,675	76,208	2,822	6,845	10,366
1984	717	10,719	159,284	45,893	3,942	7,473	13,748
1985	455	23,550	201,172	38,185	3,494	7,115	17,715
1986	637	41,184	222,657	48,806	3,401	17,198	16,210

CAPITAL EXPENDITURES - 1986

CAPITAL PROJECTS ON WHICH EXPENDITURES EXCEEDED \$5 MILLION

DOLLARS IN THOUSANDS

	1986 Gross Expenditure	Estimated Gross Cost
Purchase of 126 Subway Cars	\$59,966	\$185,800
Purchase of 52 Light Rail Vehicles	43,978	104,750
Expansion of Police Headquarters	20,110	63,800
Main Sewage Treatment Plant Stage 3	10,069	197,250
Transit - Parkdale/Hillcrest Shops Replacement Site	9,402	43,300
Transit - Land Acquisition - Network 2011	8,588	8,625
Transit - Park Home Station	7,907	25,000
Ingram Transfer Station	7,343	11,800
Resurfacing of Major Roads	7,198	22,000
Humber Sewage Treatment Plant Stage 2	6,960	71,850
Pavement Management Programme	6,510	44,100

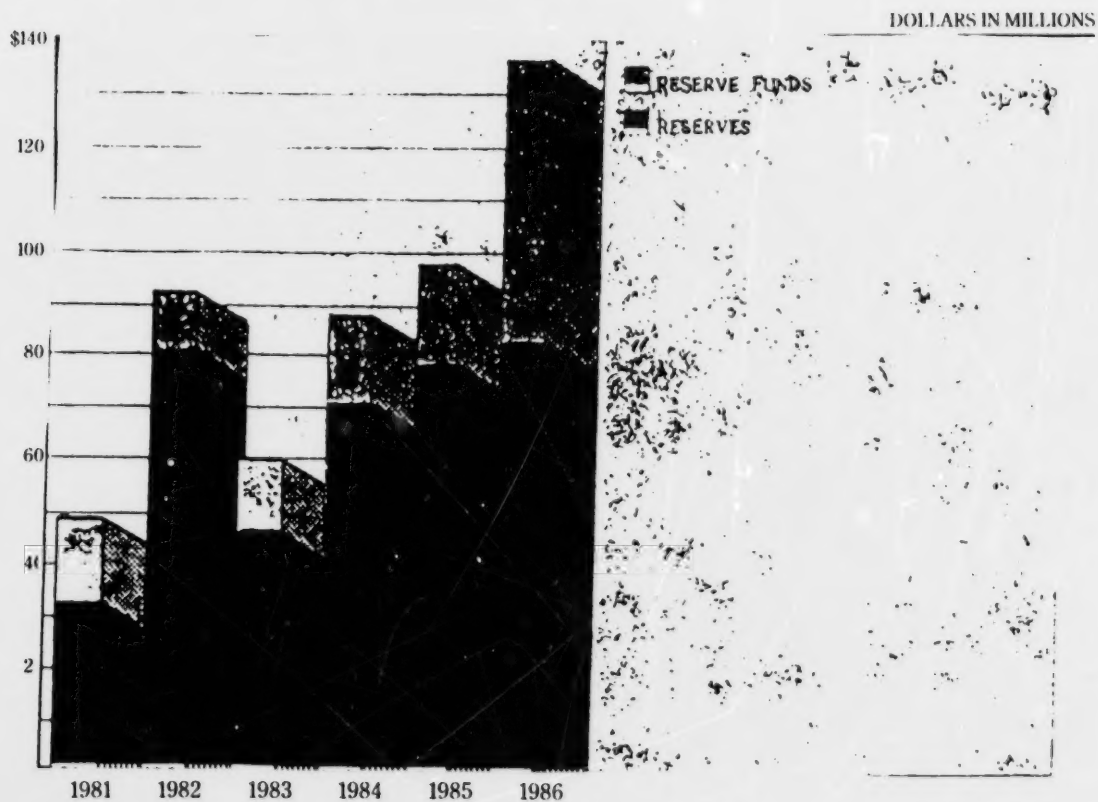
DOLLARS IN THOUSANDS

Planning and Development	Total
\$ 9	\$140,328
25	175,133
20	292,825
32	241,808
46	291,732
75	350,168

CONSOLIDATED RESERVES AND RESERVE FUNDS
LAST SIX FISCAL YEARS

DOLLARS IN THOUSANDS

Year	Total Reserves and Reserve Funds	Total As Percentage of Taxation	Total As Percentage of Consolidated Current Expenditures
1981	\$ 47,918	9.6	4.1
1982	91,363	16.6	6.7
1983	59,504	9.7	3.9
1984	87,058	13.0	5.3
1985	97,133	13.8	5.4
1986	136,228	18.5	7.1



Additional information on "Reserves and Reserve Funds" is contained on page 27 of this Report.

SUMMARY OF TOTAL DEBENTURE DEBT MATURITIES OF THE METROPOLITAN CORPORATION AND AREA MUNICIPALITIES

AS AT DECEMBER 31, 1986

DOLLARS IN THOUSANDS

	Metropolitan Corporation Direct Debt				Debt of Area Municipalities Assumed by Metropolitan Corporation		Total Debt of Metropolitan Corporation and the Area Municipalities	
	Instalment		Sinking Fund		Can.	U.S.	Can.	U.S.
	Can.	U.S.	Can.	U.S.				
1987	\$35,070	\$6,585	\$ 76,207	\$ 33,405	\$66		\$111,343	\$ 39,990
1988	30,807	6,382	30,483	107	66		61,356	6,489
1989	27,088	6,734	24,981	340	74		52,143	7,074
1990	22,521	5,161	25,076	344	82		47,679	5,505
1991	20,933	5,400	28,419	50,000	91		49,443	55,400
1992	18,624	4,644	39,057		99		57,780	4,644
1993	15,674	4,685	125,479				141,153	4,685
1994	13,457	4,857	125,721				139,178	4,857
1995	11,166	5,044	70,588				81,754	5,044
1996	7,678	5,254	125,939	125,000			133,617	130,254
1997	5,112	5,205	16,049	55,000			21,161	60,205
1998	4,347	2,420	33,576				37,923	2,420
1999	2,949	2,656	22,675		66		25,690	2,656
2000	1,970						1,970	
2001	213						213	
2002	52						52	
2003	58						58	
2004	63						63	
2005	70						70	
2006	76						76	
2007	84						84	
	\$218,012	\$65,027	\$744,250	\$264,196	\$544	\$ -	\$962,806	\$329,223

Total U.S. debt of Metropolitan Corporation and the Area Municipalities
translated in equivalent Canadian dollars.

At exchange rates prevailing at the time debt was incurred
At exchange rate on December 31, 1986

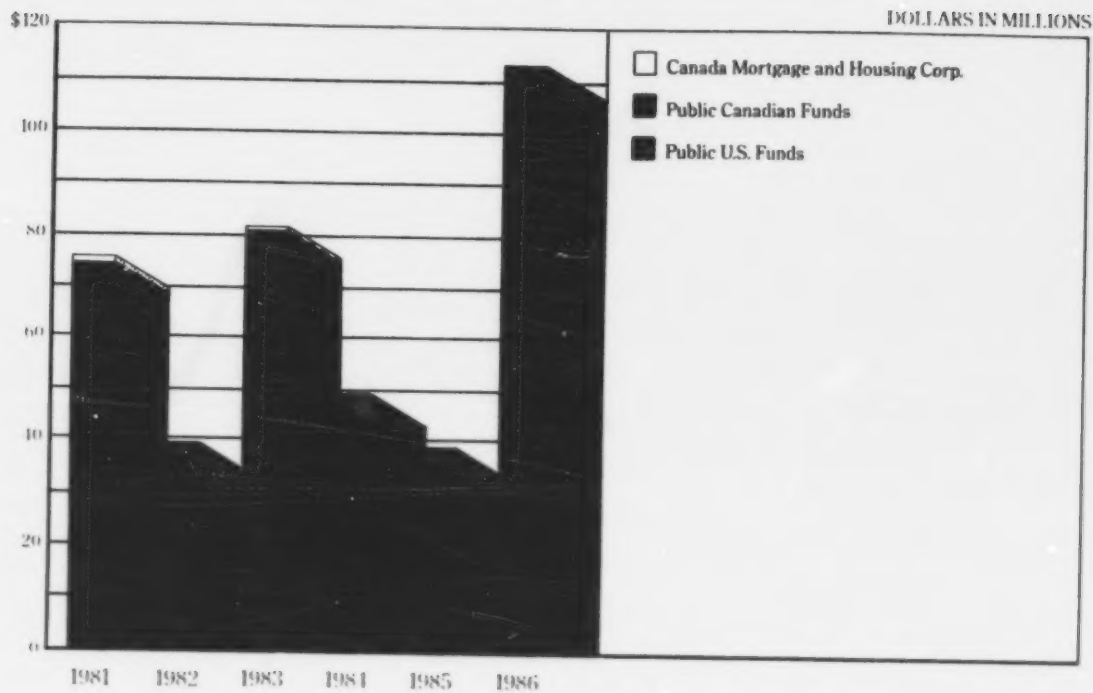
\$348,746
\$454,492

DEBENTURES ISSUED IN 1986**CANADIAN ISSUE**10 YEAR SINKING FUND, 9¹/₂ & 9³/₄%5, 10 & 15 YEAR INSTALMENT, 9, 9¹/₂, 9¹/₂ & 9³/₄%

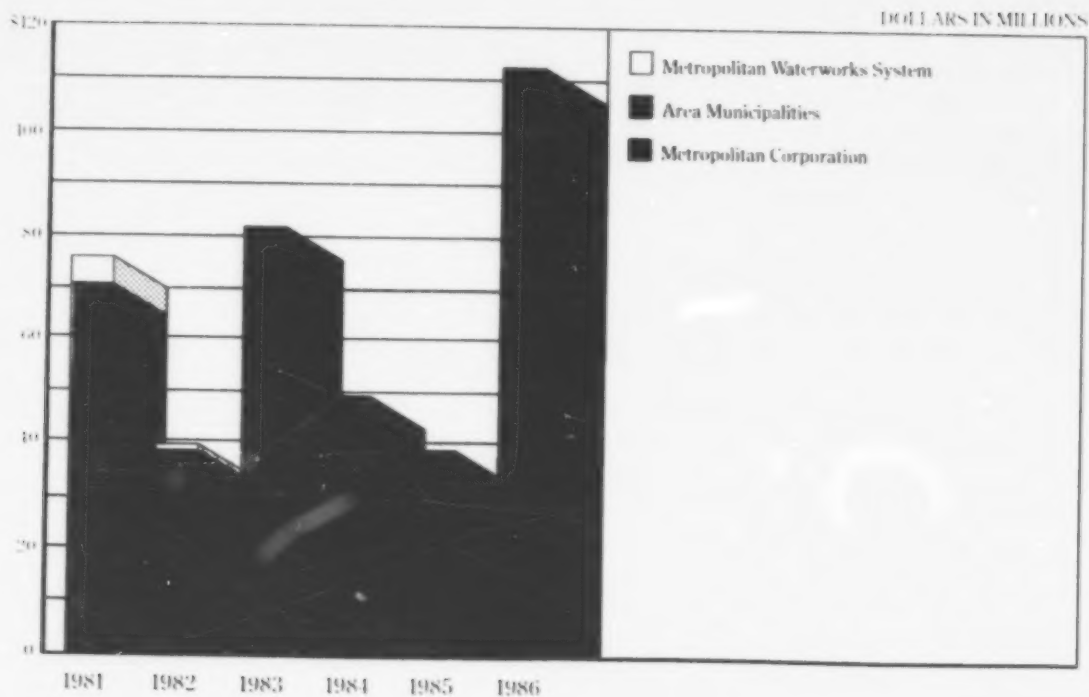
DOLLARS IN THOUSANDS

	Instalment	Sinking Fund	Total
Metropolitan Corporation			
Conservation		\$ 2,655	\$ 2,655
Parks		1,400	1,400
Library		515	515
Zoo		437	437
Exhibition Place		5,918	5,918
Police		12,589	12,589
Refuse Disposal		1,963	1,963
Water Pollution Control		12,445	12,445
Roads		2,542	2,542
Rapid Transit		23,779	23,779
		64,243	64,243
Area Municipalities			
City of Toronto	\$ 912	14,294	15,206
City of North York	1,377	6,020	7,397
City of Scarborough	149	2,809	2,958
City of Etobicoke		14,611	14,611
City of York	1,032	2,256	3,288
Borough of East York		5,767	5,767
	3,470	45,757	49,227
	\$3,470	\$110,000	\$113,470

DEBENTURES ISSUED BY LENDER 1981-1986



DEBENTURES ISSUED BY PURPOSE 1981-1986



Debt issued in U.S. Funds has been translated at rates of exchange prevailing at the time the debt was incurred.

TOTAL DEBENTURE DEBT OF THE METROPOLITAN TORONTO AREA

DOLLARS IN THOUSANDS

Outstanding as at
December 31, 1986

Area Municipalities' debentures assumed by Metropolitan Corporation	\$ 544
Metropolitan Corporation Debentures	1,311,008

Total debenture debt of the Metropolitan Toronto Area **\$1,311,552**

Made up as follows:

Debenture debt assumed by Province of Ontario (in respect of Administration of Justice)	\$ 13,444
--	-----------

Debenture debt recoverable from municipal enterprises	
Toronto Transit Commission	\$ 32,271
Waterworks	142,649
Hydro-Electric Systems	14,088
	189,008

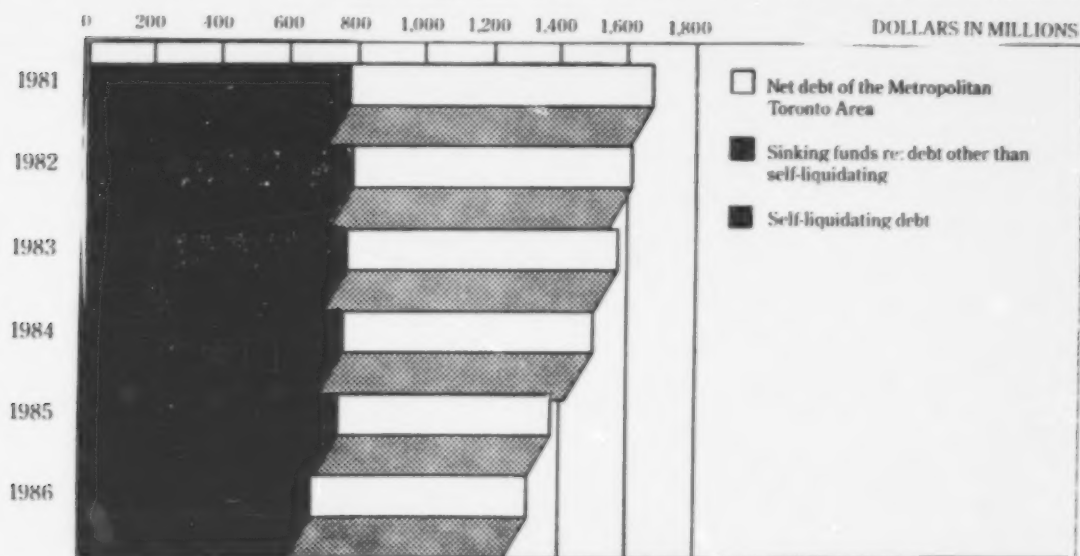
Total - self-liquidating debt 202,452

Sinking funds re. debt other than self-liquidating 463,618

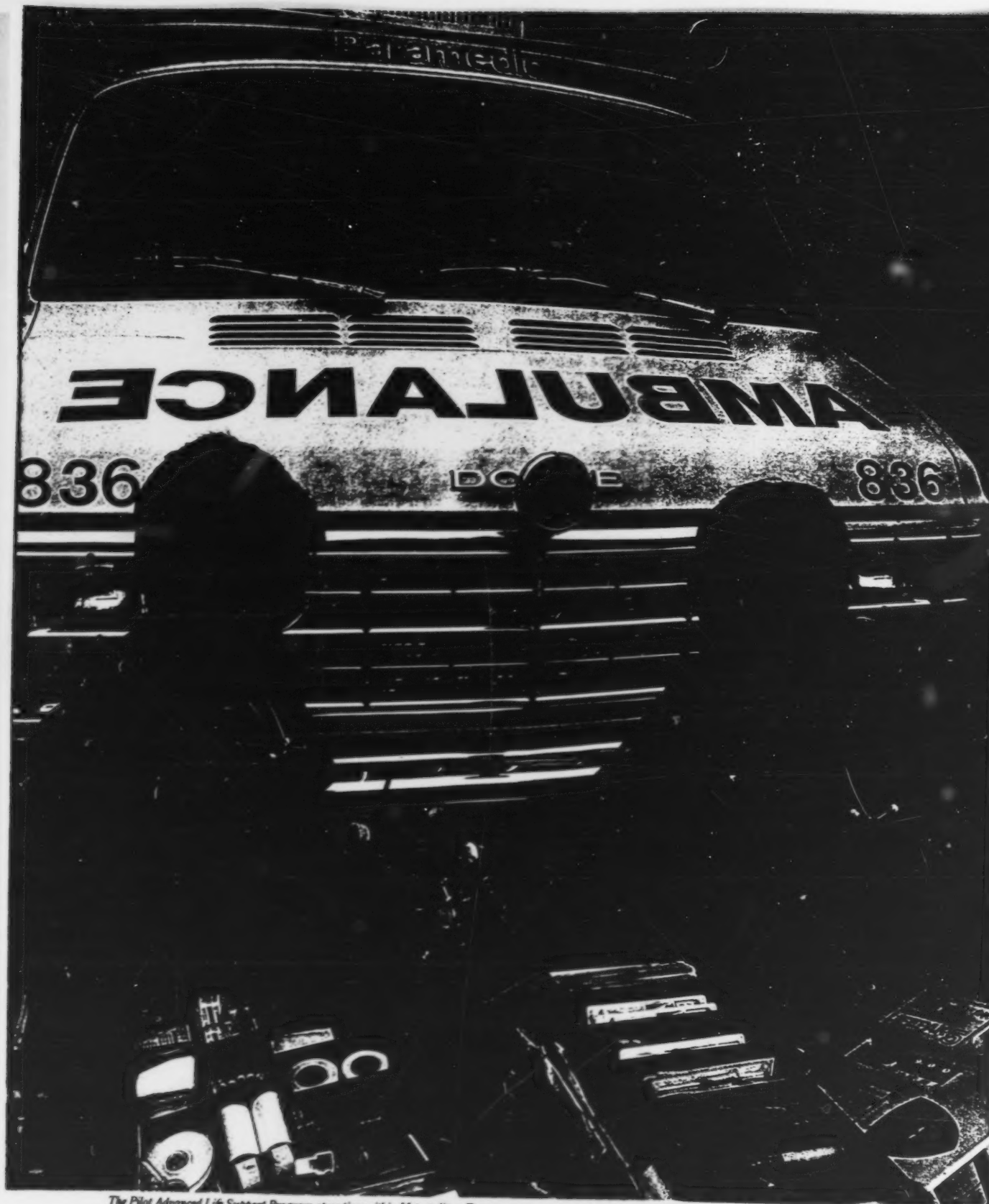
Net debt of the Metropolitan Toronto Area 645,482

Total debenture debt of the Metropolitan Toronto Area **\$1,311,552**

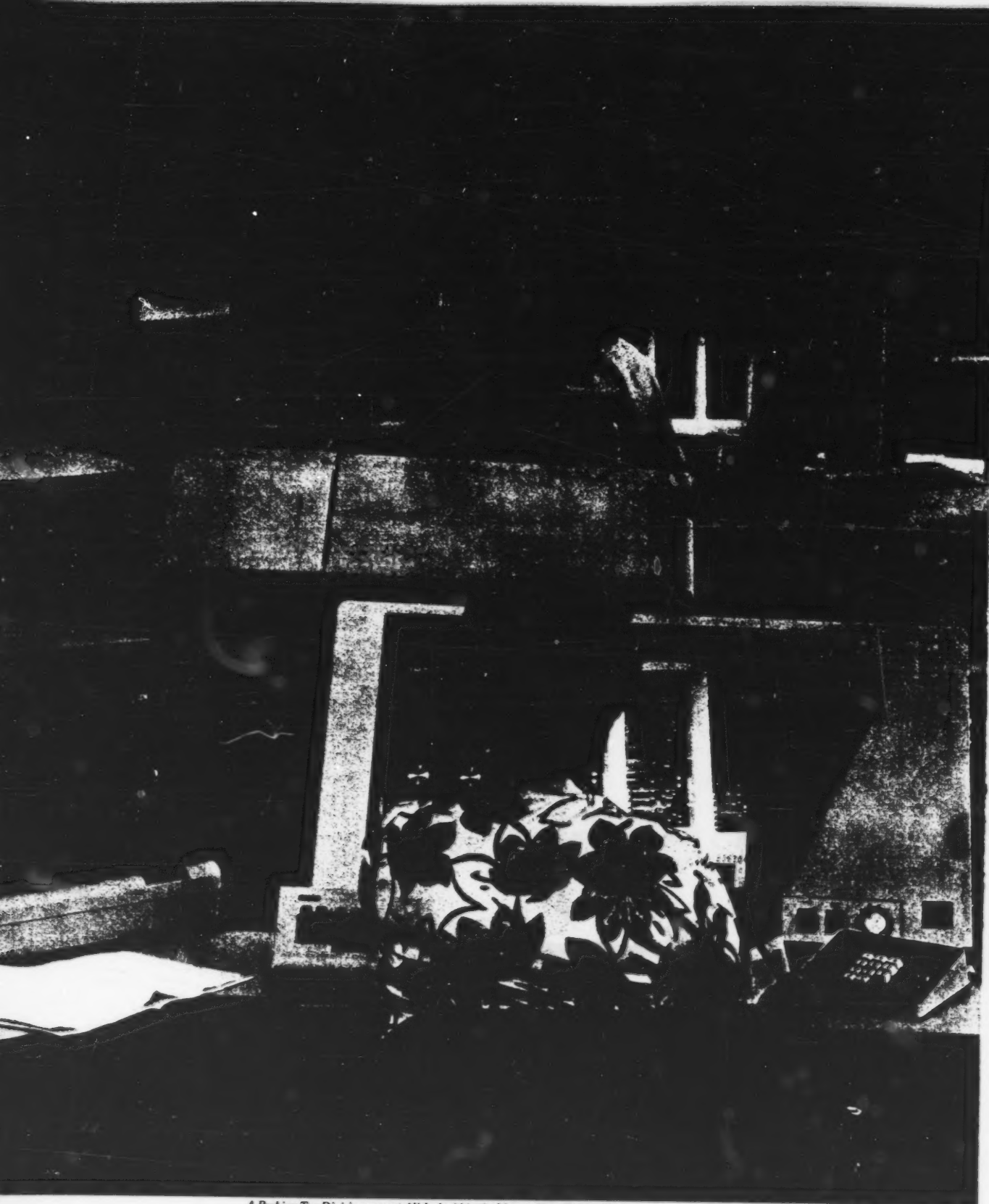
Payable in:	Metropolitan Corporation Debentures	Area Municipality Debentures	Total
Canada	\$ 962,262	\$ 544	\$ 962,806
United States	348,746		348,746
Total debenture debt of the Metropolitan Toronto Area	\$1,311,008	\$ 544	\$1,311,552



Debenture debt issued in U.S. Funds has been translated at rates of exchange prevailing at the time the debt was incurred.



The Pilot Advanced Life Support Program operating within Metropolitan Toronto was accorded permanent status during 1986 by the Ontario Ministry of Health. This move enabled the Metropolitan Ambulance Department and the Ministry of Health to expand the level of service across Metropolitan Toronto.



A Parking Tag Division was established within the Metropolitan Toronto Treasury Department during 1986, assuming from the Province of Ontario responsibility for the operational aspects of parking tag administration.

SUPPLEMENTARY FINANCIAL STATEMENTS

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The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1

Allan G. Andrews, C.A., *Metropolitan Auditor*

May 19, 1987

AUDITOR'S REPORT

**The Chairman and Members of the Metropolitan Council
of the Municipality of Metropolitan Toronto**

I have examined the balance sheet of the trust funds of the Municipality of Metropolitan Toronto as at December 31, 1986 and the trust funds statement of continuity for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the trust funds of the Municipality as at December 31, 1986 and the continuity of trust funds for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities applied on a basis consistent with that of the preceding year.



METROPOLITAN AUDITOR

METROPOLITAN TORONTO TRUST FUNDS

STATEMENT OF CONTINUITY

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Balance, beginning of year	\$19,632	\$18,323
Capital receipts		
Cash or collateral received	15,229	11,853
Increase/(Decrease) in value of investments	(80)	(306)
Interest earned	1,943	1,721
	17,092	13,268
Expenditures		
Payments - to or on behalf of Metropolitan Treasurer	3,239	3,402
- to Provincial Courts	5,004	4,048
- to or on behalf of area municipalities	688	562
- to or on behalf of residents	3,507	3,096
- to sundry persons	2,352	851
	14,790	11,959
Balance, end of year	\$21,934	\$19,632

BALANCE SHEET

DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Assets		
Cash	\$ 1,133	\$ 510
Investments (note 1) - Federal	2,739	990
- Provincial	1,351	2,358
- Other	15,652	12,631
	19,742	15,979
Accounts receivable	70	2,491
Interest receivable on investments	421	271
Due from Metropolitan Toronto	795	579
	1,286	3,341
	\$22,161	\$19,830
Liabilities		
Accounts payable (note 2)	\$ 171	\$ 91
Due to Metropolitan Toronto	56	107
Balance - Capital	21,934	19,632
	\$22,161	\$19,830

METROPOLITAN TORONTO TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipality of Metropolitan Toronto Trust Funds are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) Expenditure recognition

Expenditures from Trust Funds, except for claims against the Metropolitan Municipalities' Liability Trust Funds, are recorded on an accrual basis as they are incurred.

Expenditures made by the Metropolitan Municipalities' Liability Trust Funds in settling claims are recorded as paid, with claims settled in January recorded as liabilities. Estimated unsettled claims are not accrued.

(b) Investments

Investments (other than Homes for the Aged Residents' Trust Fund investments) have been recorded at cost adjusted annually for amortization of discount on the basis of the effective annual yield as determined at the date of purchase.

The Homes for the Aged Residents' Trust Fund investments are recorded at market value; a total nominal value of \$1 has been placed on unlisted stocks.

2. CONTINGENT LIABILITIES

Metropolitan Municipalities' Liability Trust Funds

The Metropolitan Municipalities' Liability Trust Funds were established to self insure certain losses incurred by the Corporation, its boards, agencies, and commissions (except the Toronto Transit Commission) and the municipalities of East York, Etobicoke, Toronto and York.

Prior to 1986, the Trust Funds settled the first \$50,000 of any claim, with the amount in excess of \$50,000 being settled by outside insurers. During 1986 and for subsequent years, settlement of claims is financed as follows:

First \$10,000	Each individual fund participant
\$10,000 - \$5,000,000	Trust funds
\$5,000,000 - \$10,000,000	Outside insurers
\$10,000,000 - \$100,000,000	Trust funds
Excess of \$100,000,000	Each individual fund participant

An actuarial review of the Trust Funds established for the years 1984 and 1985 indicated that the estimated ultimate payout of all claims would exceed the respective fund balances for those years. All claims for any one year are not settled within the same year; the current estimated unfunded liabilities are being funded over the period 1987 to 1989. For the Trust Fund created for 1986 claims, an actuarial review indicates that adequate funds have been provided to meet the estimated ultimate payout of claims. The adequacy of these fund balances are subject to ongoing review.

The estimated ultimate payout of all claims has been provided for by the funding of the present value of those estimates by the participants under the terms of the agreements setting up the Trust Funds. The estimated payout of claims reported and not settled is as follows:

1984	\$1,271,000
1985	\$2,041,000
1986	\$ 991,000

The Trust Funds are also contingently liable for claims which have been incurred and not reported for 1984, 1985 and 1986; however, these claims cannot be quantified.

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1

Allan G. Andrews, C.A., *Metropolitan Auditor*

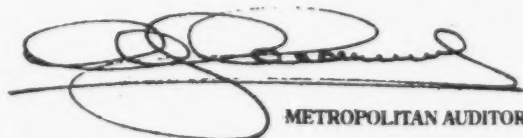
February 11, 1987

AUDITOR'S REPORT

To the Chairman and Members of
The Metropolitan Toronto Sinking Fund Committee

I have examined the balance sheet of The Metropolitan Toronto Sinking Funds as at December 31, 1986 and statements of surplus and the statements of funds available and required for debenture debt redemption for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Sinking Funds as at December 31, 1986 and the results of their activities for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



METROPOLITAN AUDITOR

METROPOLITAN TORONTO SINKING FUNDS

BALANCE SHEET

DECEMBER 31, 1986

DOLLARS IN THOUSANDS

ASSETS	Canadian Fund		U.S. Fund	
	1986	1985	1986	1985
Current assets				
Cash	\$ 94	\$ 92	\$ 69	\$ 69
Temporary investments	56,009	48,045	16,800	54,000
Accrued interest	10,272	10,050	4,246	5,350
	66,375	58,187	21,115	59,419
Long term investments (note 2)	389,580	414,570	138,485	150,068
	\$455,955	\$472,757	\$159,600	\$209,487
LIABILITIES				
Current liabilities				
Accounts payable - Contributors	\$ 22,829	\$ 25,756	\$ 7,695	\$ 5,566
	22,829	25,756	7,695	5,566
Actuarial requirements and surplus				
Actuarial requirements	329,761	345,183	122,529	169,908
Surplus:				
Unappropriated surplus	38,076	38,700	8,300	11,370
Reserve for abatement of future levies	65,289	63,118	21,076	22,643
	103,365	101,818	29,376	34,013
Total actuarial requirements and surplus (note 3)	433,126	447,001	151,905	203,921
	\$455,955	\$472,757	\$159,600	\$209,487

METROPOLITAN TORONTO SINKING FUNDS

STATEMENTS OF SURPLUS

YEAR ENDED DECEMBER 31, 1986

DOLLARS IN THOUSANDS

Canadian Fund	1986		1985	
	Unappropriated	Reserve for Abatement of Future Levies	Total	Total
Balance, beginning of year	\$ 38,700	\$ 63,118	\$101,818	\$102,661
Funds used to reduce contributions for current year (note 1(e))		(12,267)	(12,267)	(13,948)
Excess of funds available over funds required for current year	36,643		36,643	38,861
Refunds to contributors	36,643	(12,267)	24,376	24,913
Appropriation to reserve for abatement of future levies (note 1(e))	(22,829)	14,438	(22,829)	(25,756)
	(14,438)			
Balance, end of year	\$ 38,076	\$ 65,289	\$103,365	\$101,818
U.S. Fund				
Balance, beginning of year	\$ 11,370	\$ 22,643	\$ 34,013	\$ 31,309
Funds used to reduce contributions for current year (note 1(e))		(8,348)	(8,348)	(4,707)
Excess of funds available over funds required for current year	11,406		11,406	12,977
Refunds to contributors	11,406	(8,348)	3,058	8,270
Appropriation to reserve for abatement of future levies (note 1(e))	(7,695)		(7,695)	(5,566)
	(6,781)	6,781		
Balance, end of year	\$ 8,300	\$ 21,076	\$ 29,376	\$ 34,013

STATEMENTS OF FUNDS AVAILABLE AND REQUIRED FOR DEBENTURE DEBT REDEMPTION

YEAR ENDED DECEMBER 31, 1986

DOLLARS IN THOUSANDS

	Canadian Fund		U.S. Fund	
	1986	1985	1986	1985
Funds available				
From reserve for abatement of future levies	\$12,267	\$13,948	\$ 8,348	\$ 4,707
From current year's receipts:				
Contributions	22,206	21,457	10,681	14,320
Investment income	48,345	50,511	18,511	20,536
	82,818	85,916	37,540	39,563
Funds required				
Provision for actuarial requirement for current year	46,175	47,055	26,134	26,586
Excess of funds available over funds required	\$36,643	\$38,861	\$11,406	\$12,977

METROPOLITAN TORONTO SINKING FUNDS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1986

1. ACCOUNTING POLICIES

(a) General

The Sinking Fund Committee maintains separate accounting records for Canadian dollar and U.S. dollar Funds. In order to ensure an equitable distribution of total earnings amongst the various contributors to the Funds, the individual funds are maintained and grouped according to the actuarial interest rates used in computing the annual provisions. Transfers of investments or cash between the individual portions of the Funds, which are authorized from time to time by the Committee to provide for cash flow obligations, are treated as sales and purchases or loans respectively. Accordingly, the financial statements of each Fund reflect the combined financial operations of each of its portions.

(b) Foreign currencies

The figures on the financial statements shown for the Canadian Fund and the U.S. Fund are expressed in Canadian and U.S. dollars respectively. The Sinking Fund Committee receives annual levies for the U.S. Fund in U.S. dollars and it is the policy of the Committee to invest these amounts in securities payable in U.S. dollars to meet the par value of sinking fund debentures payable in U.S. dollars.

(c) Investments

Investments, other than temporary investments, are purchased with the intention of holding them until maturity and are recorded at cost adjusted annually for amortization of discount or premium on the basis of the effective annual yield as determined at the date of purchase.

(d) Actuarial requirements

The actuarial requirements of the sinking fund represent the amounts required which, together with interest compounded annually, will be sufficient to retire the related debentures at maturity. These amounts were calculated on a rate of 3% per annum on debt issued prior to January 1, 1976 and 5% per annum on debt issued after that date, with a rate not exceeding 8% to be effective on debt issued subsequent to February 23, 1983.

(e) Earnings, surplus and reserve for abatement of future levies

To the extent that earnings of the Funds are in excess of the amounts required to meet actuarial requirements for retirements in any year, they are transferred to surplus. When funds accumulated in surplus in this manner for debentures issued under any specific by-law exceed the actuarial requirements at that date for that by-law, such excess funds may be appropriated to the reserve for abatement of future levies and used to reduce the required contributions in current and future years, subject to prior approval by the Ontario Municipal Board.

(f) Accounts payable - refunds to contributors

Where amounts have accumulated in sinking fund accounts, relating to specific debenture by-laws, which are more than sufficient to redeem the principal amounts of the related debentures on maturity, then excess funds may be either refunded to contributors or used to increase the amounts at the credit of other sinking fund accounts of the same contributors.

It has been the practice of the Sinking Fund Committee to refund such excess amounts to the contributors with the recommendation that the excess amounts be used to reduce the amount of debentures to be issued for other capital expenditures for which the issue of debentures has been approved by the Municipal Board, or to defray the cost of other capital expenditures in lieu of the issue of debentures therefor.

2. LONG TERM INVESTMENTS

Long Term Investments consist of the following:

DOLLARS IN THOUSANDS

	Canadian Fund		U.S. Fund	
	1986	1985	1986	1985
Debentures issued or guaranteed by:				
Government of Canada	\$ 56,459	\$ 57,976	\$ 9,408	\$ 9,365
Province of Ontario	16,230	18,579	10,183	9,143
Other provinces	34,263	29,169	6,617	9,527
Municipality of Metropolitan Toronto	208,023	234,447	102,765	112,900
Other municipalities	72,481	73,085	9,212	9,133
School boards	2,124	1,314		
	\$389,580	\$414,570	\$138,485	\$150,068
Par value	\$413,777	\$441,397	\$150,035	\$162,776
Market value	\$416,668	\$437,353	\$157,175	\$161,326

3. TOTAL ACTUARIAL REQUIREMENTS AND SURPLUS

Component parts of the total actuarial requirements and surplus are detailed below:

DOLLARS IN THOUSANDS

	Canadian Fund		U.S. Fund	
	1986	1985	1986	1985
3% Portion				
Metropolitan purposes:				
General	\$191,975	\$197,795		
Waterworks	51,880	62,478	\$ 5,403	\$ 5,403
Toronto Transit Commission	16,884	15,614		2,599
Public schools		3,123		
Secondary schools		8,757		
Toronto Metropolitan purposes	260,739	287,797	5,403	8,002
Area municipality purposes	62,568	78,330	793	1,832
Province of Ontario purposes	13,439	13,119		
	\$336,746	\$379,246	\$ 6,196	\$ 9,834
5% Portion				
Metropolitan purposes:				
General	\$ 26,259	\$ 20,578	\$ 69,333	\$ 64,700
Waterworks	4,579	3,610	24,244	21,837
Total Metropolitan purposes	30,838	24,188	93,577	86,537
Area municipality purposes	37,276	28,507	52,132	107,550
	\$ 68,114	\$ 52,695	\$145,709	\$194,087
8% Portion				
Metropolitan purposes:				
General	\$ 12,881	\$ 7,122		
Area municipality purposes	15,385	7,938		
	\$ 28,266	\$ 15,060		
	\$433,126	\$447,001	\$151,905	\$203,921

METROPOLITAN TORONTO SINKING FUNDS

FIVE YEAR PROJECTION OF DEBENTURE MATURITIES

DECEMBER 31, 1986

DOLLARS IN THOUSANDS

	Canadian Fund	U.S. Fund
1986	\$61,598*	\$73,513*
1987	76,207	33,405
1988	30,483	107
1989	24,981	310
1990	25,076	344
1991	28,119	50,000

*The actual maturities are shown for 1986.

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1

Allan G. Andrews, C.A., *Metropolitan Auditor*

June 4, 1987

AUDITOR'S REPORT

To the Members of the Board of Trustees
The Municipality of Metropolitan Toronto Pension Fund

I have examined the balance sheet of The Municipality of Metropolitan Toronto Pension Fund as at December 31, 1986 and the statements of revenue, expenditure and accumulated pension fund and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



METROPOLITAN AUDITOR

MUNICIPALITY OF METROPOLITAN TORONTO PENSION FUND

BALANCE SHEET

DECEMBER 31, 1986

ASSETS	DOLLARS IN THOUSANDS	
	1986	1985
Investments (note 2)	\$412,377	\$369,616
Interest receivable	3,155	3,177
Accounts receivable	322	647
Contributions receivable	813	725
Short term investments	7,563	4,100
Cash	285	193
	\$424,515	\$377,458
LIABILITIES		
Accounts and benefits payable	\$ 725	\$ 235
Accumulated pension fund	423,790	377,223
	\$424,515	\$377,458

STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED PENSION FUND

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Revenue		
Contributions		
Members	\$ 4,490	\$ 4,755
Employers, current service	4,439	4,640
Employers, past service (note 3)	7,504	8,414
	16,433	17,809
Investment income (note 2)	49,040	40,601
	65,473	58,410
Expenditure		
Pensions and other benefits	17,301	13,588
Accumulated contributions refunded or transferred to other pension plans	440	119
Actuarial fees	90	71
Investment management fees	999	850
Investment consulting fees	25	32
Other expenses	51	29
	18,906	14,689
Excess of revenue over expenditure	46,567	43,721
Accumulated pension fund, beginning of year	377,223	333,502
Accumulated pension fund, end of year	\$423,790	\$377,223

MUNICIPALITY OF METROPOLITAN TORONTO PENSION FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Cash from operations		
Excess of revenue over expenditure for the year	\$46,567	\$43,721
Amortization of bond discounts and premiums	(118)	(142)
	46,449	43,579
Increase (decrease) resulting from changes in		
Interest receivable	22	(18)
Accounts and contributions receivable	237	(114)
Accounts and benefits payable	490	(971)
Cash available from operations	47,198	42,309
Financing		
Sale and maturity of internally managed bonds and debentures (net)	6,228	7,263
Investment		
Purchase of new externally managed investments (net)	(49,871)	(47,974)
Increase in cash	3,555	1,598
Cash, beginning of year	4,293	2,695
Cash, end of year	\$ 7,848	\$ 4,293
Consists of:		
Cash	\$ 285	\$ 193
Short term investments	7,563	4,100
	\$ 7,848	\$ 4,293

MUNICIPALITY OF METROPOLITAN TORONTO PENSION FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1986

1. ACCOUNTING POLICIES

(a) Investments

Investments in internally managed bonds and debentures are carried at cost adjusted by amortization of the premium or discount on purchase over the term of the issue.

Investments in externally managed bonds and equity funds are carried at cost. Premiums and discounts on bonds purchased with interest rates and terms close to market are not amortized. Discounts on bonds carrying interest rates considerably below market ("zero interest" or "deep discount" bonds) are amortized over the term of the bond. On redemption or sale, any unamortized premium or discount is included in the gain or loss on sale of investments.

Investments in mortgage funds are carried at cost.

Investments in real estate funds and the venture capital fund are carried on the equity basis.

(b) Gains and losses on investments

Gains and losses on investments except for mortgages, are recorded only upon sale of such investments and are determined on an average cost basis.

Property acquired as a result of mortgage foreclosure is written down to estimated market value.

(c) Income recognition

Income on investments is recorded on the accrual basis with dividends being recorded on the dividend record date.

(d) Foreign currencies

Investments in foreign currencies are translated into Canadian dollars using exchange rates prevailing at the date of acquisition. Accrued interest on foreign investments and market values of foreign investments are translated using year-end exchange rates.

2. INVESTMENTS AND INVESTMENT INCOME

(a) Investments consist of the following:

	DOLLARS IN THOUSANDS	
	1986	1985
Internally managed bonds and debentures	\$ 83,232	\$ 89,342
Market value - \$83,021,000 (1985 - \$86,917,000)		
Net assets of externally managed investment funds		
Bond funds	111,128	96,424
Market value - \$113,626,000 (1985 - \$99,703,000)		
Equity funds	175,252	141,053
Market value - \$232,736,000 (1985 - \$188,392,000)		
Mortgage funds	33,201	32,896
Real estate funds	9,110	8,427
Venture capital fund	454	474
	\$412,377	\$368,616

(b) Investment income for the year:

DOLLARS IN THOUSANDS		
	1986	1985
Internally managed bond and debenture income	\$ 8,079	\$ 8,732
Externally managed fund income (loss)		
Bonds	14,977	13,719
Equities	20,734	13,475
Mortgages	4,062	3,893
Real estate	816	446
Venture capital	(20)	10
Interest on short term deposits	392	326
	\$49,040	\$40,601

The assets of the externally managed bond and equity funds are held by a trust company under the terms of a custodial agreement. The funds are managed by certain investment managers under separate management agreements. Net income is retained by each of the managed bond and equity funds for reinvestment by the respective fund managers.

The assets of the externally managed mortgage and real estate funds are held and managed by investment managers under separate management agreements.

3. ACTUARIAL VALUATION

The financial statements show only the financial position of the Fund and do not purport to show the adequacy of the Fund to meet obligations for payment of pensions and death benefits to members.

The most recent actuarial valuation of the fund as at December 31, 1985 indicated that the present value of the unfunded liability of the Pension Fund was \$33,100,000 (1984 - \$43,528,000). The unfunded liability will be paid by the Municipality of Metropolitan Toronto and the other participating employers over the period ending in 1999.

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1

Allan G. Andrews, C.A., *Metropolitan Auditor*

June 4, 1987

AUDITOR'S REPORT

To the Members of the Board of Trustees
The Metropolitan Toronto Police Benefit Fund

I have examined the balance sheet of The Metropolitan Toronto Police Benefit Fund as at December 31, 1986 and the statements of revenue, expenditure and accumulated benefit fund and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Benefit Fund as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



METROPOLITAN AUDITOR

METROPOLITAN TORONTO POLICE BENEFIT FUND

BALANCE SHEET

DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
ASSETS		
Investments (note 2)	\$384,584	\$338,666
Interest receivable	2,586	2,590
Accounts receivable	453	542
Short term investments	9,106	6,600
Cash	448	258
	\$397,177	\$348,656
LIABILITIES		
Accounts and benefits payable	\$ 264	\$ 543
Accumulated benefit fund	396,913	348,113
	\$397,177	\$348,656

STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED BENEFIT FUND

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Revenue		
Contributions		
Members	\$ 4,956	\$ 5,515
Employer, current service	4,905	4,999
Employer, past service (note 3)	7,094	7,865
	16,955	18,379
Investment income (note 2)	49,436	41,374
	66,391	59,753
Expenditure		
Pensions and other benefits	16,480	14,007
Accumulated contributions refunded or transferred to other pension plans	81	185
Actuarial fees	47	44
Investment management fees	912	802
Investment consulting fees	25	29
Other expenses	46	28
	17,591	15,095
Excess of revenue over expenditure	48,800	44,658
Accumulated benefit fund, beginning of year	348,113	303,455
Accumulated benefit fund, end of year	\$396,913	\$348,113

METROPOLITAN TORONTO POLICE BENEFIT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Cash from operations		
Excess of revenue over expenditure for the year	\$48,800	\$44,658
Amortization of bond discounts and premiums	(66)	(70)
	48,734	44,588
Increase (decrease) resulting from changes in		
Interest receivable	4	(253)
Accounts receivable	89	(243)
Accounts and benefits payable	(279)	382
Cash available from operations	48,548	44,474
Financing		
Sale and maturity of internally managed bonds and debentures (net)	4,424	3,467
Investment		
Purchase of new externally managed investments (net)	(50,276)	(49,020)
Increase (decrease) in cash	2,696	(1,079)
Cash, beginning of year	6,858	7,937
Cash, end of year	\$ 9,554	\$ 6,858
Consists of:		
Cash	\$ 448	\$ 258
Short term investments	9,106	6,600
	\$ 9,554	\$ 6,858

METROPOLITAN TORONTO POLICE BENEFIT FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1986

1. ACCOUNTING POLICIES

(a) Investments

Investments in internally managed bonds and debentures are carried at cost adjusted by amortization of the premium or discount on purchase over the term of the issue.

Investments in externally managed bond and equity funds are carried at cost. Premiums and discounts on bonds purchased with interest rates and terms close to market are not amortized. Discounts on bonds carrying interest rates considerably below market ("zero interest" or "deep discount" bonds) are amortized over the term of the bond. On redemption or sale, any unamortized premium or discount is included in the gain or loss on sale of investments.

Investments in mortgage funds are carried at cost.

Investments in the real estate funds and the venture capital fund are carried on the equity basis.

(b) Gains and losses on investments

Gains and losses on investments are recorded only upon sale of such investments and are determined on an average cost basis.

(c) Income recognition

Income on investments is recorded on the accrual basis with dividends being recorded on the dividend record date.

(d) Foreign currencies

Investments in foreign currencies are translated into Canadian dollars using exchange rates prevailing at the date of acquisition. Accrued interest on foreign investments and market values of foreign investments are translated using year-end exchange rates.

2. INVESTMENTS AND INVESTMENT INCOME

(a) Investments consist of the following

	DOLLARS IN THOUSANDS	
	1986	1985
Internally managed bonds and debentures	\$ 59,809	\$ 64,167
Market value - \$59,282,000 (1985 - \$61,918,000)		
Net assets of externally managed investment funds		
Bond funds	65,524	56,911
Market value - \$66,440,000 (1985 - \$58,479,000)		
Balanced funds	216,090	175,467
Market value - \$250,452,000 (1985 - \$210,671,000)		
Mortgage funds	33,597	33,220
Real estate funds	9,110	8,427
Venture capital fund	454	474
	\$384,584	\$338,666

(b) Investment income for the year

DOLLARS IN THOUSANDS		
	1986	1985
Internally managed bond and debenture income	\$ 5,648	\$ 5,965
Externally managed fund income (loss)		
Bonds	8,749	8,052
Balanced	29,207	22,109
Mortgages	4,374	4,134
Real estate	816	446
Venture capital	(20)	10
Interest on short term deposits	662	658
	\$49,436	\$41,374

The assets of the externally managed bond and balanced funds are held by a trust company under the terms of a custodial agreement. The funds are managed by certain investment managers under separate management agreements. Net income is retained by each of the managed bond and balanced funds for reinvestment by the respective fund managers.

The assets of the externally managed mortgage and real estate funds are held and managed by investment managers under separate management agreements.

3. ACTUARIAL VALUATION

The financial statements show only the financial position of the Fund and do not purport to show the adequacy of the Fund to meet obligations for payment of pensions and death benefits to members.

The most recent actuarial valuation as at December 31, 1985 indicated that the present value of the unfunded liability of the Benefit Fund was \$34,600,000 (1984 - \$50,289,000). This unfunded liability will be paid to the Fund by the Municipality of Metropolitan Toronto over the period ending in 1994.

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1

Allan G. Andrews, C.A., *Metropolitan Auditor*

June 1, 1987

AUDITOR'S REPORT

**To the Members of the Board of Trustees
The Metropolitan Toronto Police Benefit Fund**

I have examined the balance sheet of the Supplemental Pension Benefits Trust Fund of the Metropolitan Toronto Board of Commissioners of Police as at December 31, 1986 and the statements of revenue, expenditure and accumulated trust fund and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



METROPOLITAN AUDITOR

MUNICIPALITY OF METROPOLITAN TORONTO
BOARD OF COMMISSIONERS OF POLICE
SUPPLEMENTAL PENSION BENEFITS TRUST FUND

BALANCE SHEET

DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
ASSETS	1986	1985
Short-term investments, at cost, which approximates market	\$ 143	\$ 148
Accrued interest	1	4
Cash	2	
	\$ 146	\$ 152
LIABILITIES		
Benefits payable	\$ 3	
Accumulated trust fund	143	\$ 152
	\$ 146	\$ 152

**STATEMENT OF REVENUE, EXPENDITURE
AND ACCUMULATED TRUST FUND**

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Revenue		
Interest income	\$ 14	\$ 16
Expenditure		
Pensions	23	22
Excess of expenditure over revenue	9	6
Accumulated trust fund, beginning of year	152	158
Accumulated trust fund, end of year	\$ 143	\$ 152

MUNICIPALITY OF METROPOLITAN TORONTO
BOARD OF COMMISSIONERS OF POLICE
SUPPLEMENTAL PENSION BENEFITS TRUST FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Cash used in operations		
Excess of expenditure over revenue	\$ (9)	\$ (6)
Increase (decrease) resulting from changes in:		
Accrued interest	3	2
Benefits payable	3	(2)
Cash used in operations	(3)	(6)
Cash, beginning of year	148	154
Cash, end of year	\$ 145	\$ 148
Consists of:		
Cash	\$ 2	\$ 148
Short term investments	143	
	\$ 145	\$ 148

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1986

1. The Supplemental Pension Benefits Trust Fund was established in accordance with memoranda of understanding between the Board of Commissioners of Police and the Metropolitan Toronto Police Association to provide a fund for the benefit of spouses or dependent children of members of the police force who die as a result of injuries received in the performance of their duties.
2. The Trust Fund is administered by the Board of Trustees of the Metropolitan Toronto Police Benefit Fund. Payments from the Trust Fund are governed by criteria formulated by the Trustees.
3. These financial statements show only the financial position of the Trust Fund and do not purport to show the adequacy of the Trust Fund to make the payments which may be required from time to time in accordance with the criteria established by the Trustees.

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1

Allan G. Andrews, C.A., *Metropolitan Auditor*

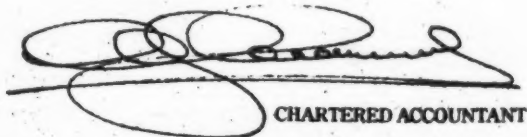
May 12, 1987

AUDITOR'S REPORT

To the Shareholder
The Metropolitan Toronto Housing Company Limited

I have examined the balance sheet of the Metropolitan Toronto Housing Company Limited as at December 31, 1986 and the statements of revenue, expenditure and surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Company as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANT

METROPOLITAN TORONTO HOUSING COMPANY LIMITED

BALANCE SHEET

DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
ASSETS	1986	1985
Current assets		
Cash	\$ 264	\$ 2,591
Short term investments (note 3)	3,000	
Accounts receivable	28,506	25,885
Inventory	116	73
Prepaid expenses	32	22
	31,918	28,571
Special funds (note 4)	1,264	887
Housing projects (note 5)	369,297	355,872
Organizational expenses	1	1
	\$402,480	\$385,331
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 31,491	\$ 27,770
Rents received in advance	273	192
	31,764	27,962
Special funds (note 4)	1,264	887
Project financing (note 7)	369,059	355,930
Deferred financing	89	446
Shareholder's equity		
Share capital		
Authorized - 10,000 common shares of \$1 par value per share		
Issued - 701 shares	1	1
Surplus	303	105
	304	106
	\$402,480	\$385,331

METROPOLITAN TORONTO HOUSING COMPANY LIMITED

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Revenue		
Rents		
Residential	\$49,024	\$44,791
Commercial	1,050	1,098
Tenants' board	295	288
Federal interest reduction grants	7,769	7,654
Provincial rental reduction grants	183	201
Other	999	983
	59,320	55,015
Expenditure		
Mortgage and loan interest	37,461	35,046
Operating and maintenance	31,796	29,224
Municipal taxes	13,937	12,806
Administrative and other	5,293	4,326
Depreciation	1,098	982
Equipment replacement reserve fund contributions	344	339
Insurance	265	98
	90,194	82,821
Loss before operating subsidies	30,874	27,806
Operating subsidies (note 8)		
Canada Mortgage and Housing Corporation	14,839	13,364
Province of Ontario	16,139	14,169
Municipality of Metropolitan Toronto	94	90
	31,072	27,923
Excess of revenue over expenditure for year (note 9)	198	117
Surplus (deficit) beginning of year	105	(12)
Surplus, end of year	\$ 303	\$ 105

METROPOLITAN TORONTO HOUSING COMPANY LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Cash provided by operations		
Excess of revenue over expenditure for year	\$ 198	\$ 117
Depreciation	1,098	982
	1,296	1,099
Increase (decrease) resulting from changes in:		
Accounts receivable	(2,621)	(1,147)
Inventory	(43)	(54)
Prepaid expenses	(10)	(21)
Accounts payable	3,721	395
Rents received in advance	81	35
	2,424	307
Cash provided by financing activities		
Increase in grants from Federal Government	26	
Increase in project financing	16,465	21,030
Repayment of project financing	(3,336)	(1,940)
Increase (decrease) in deferred financing	(357)	419
	12,798	19,509
Cash used for investment		
Additions to housing projects	(14,549)	(19,864)
Proceeds on disposal of housing projects		481
	(14,549)	(19,383)
Increase in cash and short term investments	673	433
Cash, beginning of year	2,591	2,158
Cash and short term investments, end of year	\$ 3,264	\$ 2,591

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1986

1. COMPANY'S STATUS

The Company is a non-profit organization incorporated under the laws of Ontario and is wholly-owned by the Municipality of Metropolitan Toronto. The Company is engaged in the construction and operation of subsidized senior citizens and family housing in the Metropolitan Toronto area. The operations of the Company are staffed by employees of the Metropolitan Corporation and the Company pays to the Corporation the employee costs.

2. ACCOUNTING POLICIES

The financial statements of the Metropolitan Toronto Housing Company Limited are the representation of management. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

(a) Inventory

Inventory is valued at average cost.

(b) Fixed assets

The historical cost and accumulated depreciation for fixed assets (other than housing projects) are not recorded. Fixed assets are reported as an expenditure on the Statement of Revenue, Expenditure and Surplus in the year of acquisition.

(c) Housing projects

Housing projects are valued at cost less capital contributions from government and other sources and accumulated depreciation. Costs include the original cost of acquisition of land and buildings and other related costs, the cost of improvements necessary to renovate and rehabilitate buildings, where applicable, and net operating expenses of each project up to the completion date for mortgage adjustment purposes.

Government sources provide financing or guarantee financing from private lenders. In order to comply with the terms of operating agreements with Canada Mortgage and Housing Corporation and the Province of Ontario the charge for depreciation is equal to the annual principal repayment on the outstanding mortgages. This depreciation charge for the year is reduced by the amortization of deferred financing.

(d) Deferred financing

Deferred financing represents the net difference between the actual cost of projects and the proceeds received under the terms of individual financing arrangements, which allow for variations from actual costs. Such differences are amortized over the terms of the project financing.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of

	DOLLARS IN THOUSANDS	
	1986	1985
Municipality of Metropolitan Toronto	\$ 531	\$ 691
Province of Ontario	13,533	12,359
Canada Mortgage and Housing Corporation	13,993	12,032
Other	449	803
	\$28,506	\$25,885

4. SPECIAL FUNDS

Special funds consist of cash and short term investments of \$1,264,000. These funds are held for specific purposes and are not available for general operating expenditures of the Company. Expenditures of such funds are charged against the applicable fund balance.

These funds consist of the following

	DOLLARS IN THOUSANDS	
	1986	1985
Equipment replacement reserve fund		
Balance, January 1	\$ 847	\$ 596
Add		
Contribution for year from operating account	344	340
Interest earned	80	45
	1,271	981
Less		
Expenditure	40	134
Balance, December 31	1,231	847

DOLLARS IN THOUSANDS		
	1986	1985
Consolidated tenants' benefit fund		
Balance, January 1	40	32
Add		
Interest earned	3	2
Revenue from polling booths		8
	43	42
Less		
Expenditure	10	2
Balance, December 31	33	40
	\$1,264	\$887

Equipment replacement is provided for by periodic charges against operations in accordance with the terms of the operating agreements with Canada Mortgage and Housing Corporation and the Province of Ontario's Ministry of Housing for those projects operated under Sections 15.1 and 44(1) of the National Housing Act.

The consolidated tenants' benefit fund is used to segregate certain receipts of the Company which are retained for use for the benefit of tenants.

5. HOUSING PROJECTS

Housing projects consist of

DOLLARS IN THOUSANDS			
	January 1	Additions during the year	December 31
Land	\$ 46,218	\$ 2,232	\$48,450
Buildings	315,472	12,013	327,485
Equipment	6,790	214	7,004
	368,480	14,459	382,939
Net operating expense prior to completion date	4,718	90	4,808
	373,198	14,549	387,747
Less			
Grants from Federal Government	3,663	26	3,689
Grants from Province of Ontario	5,370		5,370
Grants from Atkinson Charitable Foundation	74		74
Sale of land	481		481
	9,588	26	9,614
	363,610	14,523	378,133
Less			
Accumulated depreciation	7,738	1,098	8,836
	\$355,872	\$ 13,425	\$369,297

With minor exceptions, the financing agreements between the Company and the Municipality of Metropolitan Toronto provide that the title to the land, buildings and equipment of each project will be transferred to the Metropolitan Corporation for the sum of \$1.00 at the time the Canada Mortgage and Housing or other mortgage financing for the project is repaid.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of

	DOLLARS IN THOUSANDS	
	1986	1985
Municipality of Metropolitan Toronto	\$ 3,886	\$ 3,481
Province of Ontario	185	164
Canada Mortgage and Housing Corporation	17,449	17,494
Other	9,971	6,631
	\$31,491	\$27,770

7. PROJECT FINANCING

This balance represents the principal portion of financing for housing projects payable after 1987 and consists of

	DOLLARS IN THOUSANDS		
	January 1	Additions (repayments) during the year	December 31
Loans payable to Municipality of Metropolitan Toronto			
Long term	\$ 26,610	\$ (78)	\$ 26,532
Mortgage loans payable to			
Canada Mortgage and Housing Corporation	197,313	(503)	196,810
Others	123,890	16,465	140,355
	347,813	15,884	363,697
Temporary loans payable to Municipality of Metropolitan Toronto	4,684	(278)	4,406
Payable to contractors and others	3,433	(2,477)	956
	\$355,930	\$ 13,129	\$369,059

Principal payments are due as follow

	DOLLARS IN THOUSANDS			
	Municipality of Metropolitan Toronto	Canada Mortgage & Housing Corporation	Others	Total
1987	\$ 77	\$ 720	\$ 94	\$ 891
1988	84	795	334	1,213
1989	92	853	379	1,324
1990	101	917	430	1,448
1991	111	986	488	1,585
1992 to 2032	26,144	193,259	138,724	358,127
	26,609	197,530	140,449	364,588
Less current portion	77	720	94	891
	\$ 26,532	\$196,810	\$140,355	\$363,697
Range of interest rates (%)	3.5 - 17.3	3.5 - 11	10.7 - 17	
Average interest rates (%)	9	9	14	

Long term financing is arranged for each housing project. Temporary loans and amounts payable to contractors and others are classified as project financing and are excluded from current liabilities since these obligations will be repaid from funds advanced under the agreements for long term financing.

The portion of long term loans and mortgages due and payable within one year is included in accounts payable and accrued liabilities.

Included in principal payments due in 1992 to 2032 are interest bearing loans from the Metropolitan Corporation amounting to \$2,340,000. These loans will be forgiven upon maturity in the year 2007 to 2016.

8. OPERATING SUBSIDIES

Under the terms of agreements with Canada Mortgage and Housing Corporation and the Province of Ontario, the Company receives subsidies to recover its operating losses on all projects except three operated under the Community Sponsored Non-Profit Program. In determining operating losses eligible for subsidy under these agreements, the costs of services which are not specifically related to the provision of housing are excluded.

The net operating cost of providing food services is recoverable from the Metropolitan Corporation.

9. EXCESS OF REVENUE OVER EXPENDITURE

The excess of revenue over expenditure of \$198,000 for the year resulted from the operation of a commercial mall and the three projects operated under the Community Sponsored Non-Profit Program.

10. CONTRACTUAL OBLIGATIONS

The Company is obligated under the terms of operating leases to pay the following annual rentals:

1987	\$ 642,000
1988	1,160,000
1989	1,160,000
1990	1,067,000
1991	1,006,000
1992	502,000
1993-2024	25,000

As at December 31, 1986, the Company was contractually committed to expenditures of \$8,517,000 for capital assets not yet acquired and not included in the financial statements.

11. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the employment of the Metropolitan Toronto Housing Company Limited.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$1,269,000 (1985 - \$1,163,000) at the end of the year.

In order to provide for this past service liability the Company participates in a Corporate Sick Pay Reserve Fund established by the Municipality of Metropolitan Toronto for this purpose. Contributions to this reserve fund are based on amounts deemed to be sufficient to provide for anticipated payments over a given period of time. The annual contribution will be \$14,000 over the next nine years.

During 1986, the contributions to the reserve fund by the Company amounted to \$47,000. At December 31, 1986, the balance of the Metropolitan Corporate Sick Pay Reserve Fund was \$15,557,000 (1985 - \$16,215,000).

12. RESIDENTIAL TENANCIES ACT

Under the Residential Tenancies Act enacted August 17, 1979 as amended, residential premises situated in a residential complex owned, operated or administered by a municipality or any agency thereof, were exempted from residential rent controls.

13. COMPARATIVE FIGURES

Certain of the 1985 figures presented here for comparative purposes have been reclassified to conform with the current year's presentation.

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1

Allan G. Andrews, C.A., *Metropolitan Auditor*

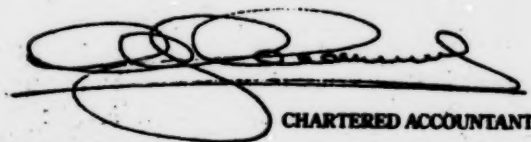
May 29, 1987

AUDITOR'S REPORT

To the Shareholder
Metropolitan Toronto Singles Housing Corporation

I have examined the balance sheet of the Metropolitan Toronto Singles Housing Corporation at December 31, 1986 and the statements of revenue, expenditure and deficit for the initial period December 1 to December 31, 1986. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1986 and the results of its operations for the period December 1 to December 31, 1986 in accordance with the accounting principles described in note 2 to the financial statements consistently applied.



Handwritten signature of Allan G. Andrews, a Chartered Accountant, in black ink. The signature is stylized and cursive, written over a horizontal line.

CHARTERED ACCOUNTANT

METROPOLITAN TORONTO SINGLES HOUSING CORPORATION

BALANCE SHEET

DECEMBER 31, 1986

DOLLARS IN THOUSANDS

ASSETS

Housing projects (note 4)	\$5,866
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LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities

Accounts payable and accrued liabilities	\$ 81
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Project financing (note 5)	5,794
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Shareholder's Equity

Share capital

Authorized - 1 common share without nominal or par value

Issued - 1 share

Deficit	(9)
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\$5,866

STATEMENT OF REVENUE EXPENDITURE AND DEFICIT

FOR THE INITIAL PERIOD DECEMBER 1, 1986 TO DECEMBER 31, 1986

DOLLARS IN THOUSANDS

Revenue

Rents	\$ 43
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Provincial rent supplement	10
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53

Expenditure

Loan interest	23
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Operating and maintenance	37
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Municipal taxes	1
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Depreciation	1
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62

Net loss and deficit	\$ 9
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METROPOLITAN TORONTO SINGLES HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD DECEMBER 1 TO DECEMBER 31, 1986

1. CORPORATION'S STATUS

The Corporation is a non-profit organization incorporated under the laws of Ontario on July 3, 1984, and is wholly owned by the Municipality of Metropolitan Toronto. The Corporation is engaged in the development and operation, within the Municipality of Metropolitan Toronto, of housing accommodation primarily for individuals of low or modest income at rents below the current market rent in the area in which the accommodation is located.

Since its inception, the Corporation has been actively involved in seeking suitable projects, and acquired its first building on October 30, 1986. As operations did not commence until December 1, 1986, no financial statements were prepared for the period from incorporation July 1984 to November 1986.

2. ACCOUNTING POLICIES

The financial statements of the Metropolitan Toronto Singles Housing Corporation are the representation of management. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

Housing projects

Housing projects are valued at cost less accumulated depreciation. Costs include the original cost of acquisition of land and building and other related costs, and net operating expenses of each project up to the completion date for mortgage adjustment purposes.

Government sources provide financing or guarantee financing from private lenders. Depreciation is recorded on housing projects owned and operated by the Corporation on a sinking fund basis. Under this method, depreciation is provided at an amount which increases annually, and which will fully depreciate the building, related equipment, and the capitalized net operating costs, over the estimated useful life of the building.

3. MANAGEMENT AGREEMENT

The Corporation entered into an agreement with the Metropolitan Toronto Housing Company Limited (M.T.H.C.L.) to operate, manage, lease and administer its property. The M.T.H.C.L. is staffed by employees of the Metropolitan Corporation.

Under the terms of the agreement, M.T.H.C.L. will be reimbursed for all expenses including manpower incurred on behalf of the Corporation. In addition, M.T.H.C.L. is also entitled to a management fee of \$13,200 per annum.

4. HOUSING PROJECTS

Housing projects consist of

	DOLLARS IN THOUSANDS
	December 31
Land	\$1,376
Building	4,370
Equipment	88
	5,834
Start up cost prior to commencement of operation	33
	5,867
Less accumulated depreciation	1
	\$5,866

5. PROJECT FINANCING

This balance represents the principal portion of financing for housing projects payable after 1987 and consists of

DOLLARS IN THOUSANDS

Loans payable to the Municipality of Metropolitan Toronto	
Long term (9.65% per annum)	\$3,814
Mortgage loan payable to Canada Mortgage and Housing Corporation	1,980
	\$5,794

A condition of purchase of the George Street property was the establishment, by the vendor, of an annuity for the benefit of the Corporation. Payments on this annuity will be credited to income as received, and will offset interest expense.

The Canada Mortgage and Housing Corporation loan was given under the Canada Rental Supply Program and as such is non-interest bearing. This loan is repayable in 15 years.

Principal payments are due as follows

DOLLARS IN THOUSANDS

	Municipality of Metropolitan Toronto	Canada Mortgage & Housing Corporation	Total
1987	\$ 15		\$ 15
1988	16		16
1989	18		18
1990	20		20
1991	3,760		3,760
2001		\$1,980	1,980
	3,829	1,980	5,809
Less current portion	15		15
	\$3,814	\$1,980	\$5,794

The portion of long term loans due and payable within one year is included in accounts payable and accrued liabilities.

6. RESIDENTIAL TENANCIES ACT

Under the Residential Tenancies Act enacted August 17, 1979 as amended, residential premises situated in a complex owned, operated or administered by a municipality or any agency thereof, were exempted from residential rent controls.

7. SUBSEQUENT EVENT

Metropolitan Council approved the reconstitution of the Corporation as the Metropolitan Toronto Housing Development Corporation ("The Foundation"). This Foundation will deal with all aspects of shelter and affordable housing for residents of Metropolitan Toronto.

8. STATEMENT OF CHANGES IN FINANCIAL POSITION

A statement of changes in financial position has not been prepared, as it does not provide any additional significant disclosure.

Chartered Accountants

Suite 300
4211 Yonge Street
North York, Ont. M2P 2A9

(416) 222-8878
Telex 06 986341
Telecopier (416) 222-8749

Price Waterhouse



May 8, 1987

AUDITORS' REPORT

To The Metropolitan Toronto School Board:

We have examined the combined Balance Sheet of The Metropolitan Toronto Area School Boards as at December 31, 1986 and the combined Revenue Fund Statements of Operations and the combined Capital Fund Statement of Operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

These financial statements combine, as at December 31, 1986 and for the year then ended, the financial statements of The Metropolitan Toronto School Board and the Boards of Education for the Cities of Etobicoke, North York, Scarborough, Toronto and York and the Borough of East York to represent one divisional board of education as defined by Ontario Regulation 116/86 under The Education Act 1974.

In our opinion, these financial statements present fairly the financial position of The Metropolitan Toronto Area School Boards as at December 31, 1986 and the results of their operations for the year then ended in accordance with accounting principles described in Note 1 to these financial statements applied on a basis consistent with that of the preceding year.

Price Waterhouse

Price Waterhouse
Chartered Accountants
Licence Number 1157

METROPOLITAN TORONTO AREA SCHOOL BOARDS

COMBINED BALANCE SHEET

DECEMBER 31, 1986

DOLLARS IN THOUSANDS

ASSETS	REVENUE FUND		CAPITAL FUND		RESERVE FUNDS	
	1986	1985	1986	1985	1986	1985
Current assets:						
Cash			\$ 6,124	\$ 7,706	\$ 1	
Investments at cost	\$ 16,001	\$ 10,042		17	15,800	\$ 10,276
Accounts receivable						
Municipalities	90,803	37,625				
Other school boards	2,770	2,229				
Government of Ontario	14,150	19,724				
Government of Canada	183	39	81			
Other	2,884	2,558	5,597	12,762		
Due from capital fund	2,058	14,380				
Due from revenue fund			824	17	10,516	5,894
Prepaid expenses	1,759	1,621				
Other current assets	7,664	7,883				
	138,272	96,101	12,626	20,502	26,317	16,170
Capital outlay to be recovered in future years (note 1(c))			88,171	100,281		
	\$138,272	\$ 96,101	\$101,097	\$120,783	\$ 26,317	\$ 16,170
LIABILITIES						
Current liabilities						
Bank or other short-term borrowing	\$ 10,784	\$ 5,455				
Accounts payable						
Municipalities (note 1(f))						
Over-requisitions, elementary	12,654	8,920				
Over-requisitions, secondary	5,113	29				
Government of Ontario	6,057	495				
Government of Canada	17,743	13,170				
Trade and accrued liabilities (note 2)	67,285	56,957	\$ 8,982	\$ 4,241		
Due to revenue fund			2,058	14,380		
Due to capital fund	824	18				
Due to reserve funds	10,516	5,894				
Other current liabilities	721	689				
Reserve for 1986 tax reduction		493				
	131,697	92,120	11,040	18,621		
Deferred income	6,575	3,981	2,122	4,099		
Long-term liabilities						
Unmatured debenture debt less sinking fund (notes 1(d), 3)			79,921	95,937		
Equity in reserve funds (note 1(e))					\$ 26,317	\$ 16,170
Unexpended capital funds			8,014	2,126		
	\$138,272	\$ 96,101	\$101,097	\$120,783	\$ 26,317	\$ 16,170

METROPOLITAN TORONTO AREA SCHOOL BOARDS

COMBINED REVENUE FUND STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1986

DOLLARS IN THOUSANDS

	ELEMENTARY SCHOOLS		SECONDARY SCHOOLS	
	1986	1985	1986	1985
Expenditure				
Business administration	\$ 13,685	\$ 12,761	\$ 17,869	\$ 16,668
General administration	4,742	4,649	6,977	6,599
Computer services	4,248	3,511	7,292	7,072
Instruction	523,709	495,166	522,371	500,881
Plant operation and maintenance	120,280	112,951	98,448	92,267
Transportation	24,756	22,497	4,424	4,052
Tuition fees	228	224	22	6
Capital expenditure (non-allocable)	18,749	19,356	15,783	17,560
Other operating expenditure	2,430	1,902	4,874	2,735
Debt charges and capital loan interest (Note 4)	14,823	21,186	8,937	12,416
Non-operating expenditure excluding transfers to reserves	15,790	15,439	13,770	12,450
	743,440	709,642	700,767	672,706
Recovery of expenditure				
Other school boards - tuition fees and miscellaneous	5,933	5,451	3,028	2,961
Government of Ontario - miscellaneous	260	262	538	337
Government of Canada	515	397	589	243
Individuals - tuition fees	345	275	7,817	7,516
Other revenue, excluding transfers from reserves	11,285	13,186	11,573	16,077
	18,338	19,571	23,545	27,134
Net expenditure	\$725,102	\$690,071	\$677,222	\$645,572
Financing of net expenditure				
Government of Ontario general legislative grants	\$ 26,955	\$ 45,339	\$ 58,896	\$ 83,774
Local taxation				
Previous year's over (under) requisition	8,920	8,720	29	(576)
Raised in current year	702,895	646,699	629,468	556,225
Refund of taxes for reason of employees' withdrawal of services	280		212	
Decrease (increase) in reserves	(1,294)	(1,487)	(6,270)	6,390
	710,801	653,932	623,439	562,039
To be applied to the following year's taxation				
Reserve for refund of taxes for reason of employees' withdrawal of services		(280)		(212)
Net under (over) requisition	(12,654)	(8,920)	(5,113)	(29)
Total financing of net expenditure	\$725,102	\$690,071	\$677,222	\$645,572

METROPOLITAN TORONTO AREA SCHOOL BOARDS

COMBINED CAPITAL FUND STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1986

	DOLLARS IN THOUSANDS	
	1986	1985
Capital expenditure		
Fixed assets and work in progress		
Buildings, furniture and equipment	\$51,832	\$53,806
School sites and improvements to sites	368	713
Pupil transportation vehicles	767	646
Other		(2)
	\$55,967	\$55,163
Less federal sales tax refund	(297)	(48)
	\$55,670	\$55,115
Capital financing		
Unexpended funds at beginning of year (Balance at beginning of year not permanently financed)		
Elementary	\$ (319)	\$ (703)
Secondary	(1,898)	1,342
Capital expenditure from the combined revenue fund	57,422	55,197
Transfer to the revenue fund	(66)	(2,530)
Other	(83)	(408)
Balance at end of year not permanently financed (Unexpended funds at end of year)		
Elementary	(2,815)	319
Secondary	3,429	1,898
	\$55,670	\$55,115

METROPOLITAN TORONTO AREA SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1986

1. ACCOUNTING PRINCIPLES

The financial statements have been prepared by the Board using accounting principles that are prescribed by the Ministry of Education and are considered appropriate for Ontario School Boards. These principles are in accordance with generally accepted accounting principles except as follows:

(a) Basis of preparation

The financial statements of The Metropolitan Toronto Area School Boards combine the financial statements of the Boards of Education for the Cities of Etobicoke, North York, Scarborough, Toronto, and York and the Borough of East York, and The Metropolitan Toronto School Board as at December 31, 1986 and for the year then ended. Inter-Board transactions and balances have been eliminated.

(b) Accrual accounting

- (i) No provision is made for interest on unmatured debenture debt from the date of payment to the end of the fiscal year.
- (ii) No provision is made to record the liability for retirement and/or sick leave benefits accruing over the working lives of employees.

(c) Fixed assets

Fixed assets are charged to current expenditure unless financed by long-term debt. Principal and interest charges on net long-term liabilities are included as expenditures in the period due. Fixed assets, described as capital outlay to be recovered in future years, are included on the balance sheet only to the extent of the balances of the related net long-term liabilities outstanding and of the related temporary financing at the end of the fiscal year.

(d) Net long-term liabilities

Net long-term liabilities represent debenture debt issued by the Municipality of Metropolitan Toronto for school purposes and for which the School Board provides for amounts of principal and interest payable.

(e) Reserve funds

Reserve funds represent funds appropriated for specific purposes which are charged or credited to revenue fund operations in the year appropriated or drawn down, and proceeds from the rental and sale of school sites.

(f) Under/over requisition of taxes

The difference between the net expenditures of any year and the amounts received to finance these expenditures is carried forward to the subsequent year to either increase or reduce the net revenue requirement from ratepayers.

2. TRADE PAYABLES AND ACCRUED LIABILITIES

Accrued liabilities include an amount of \$6,070,000 to provide for the increase in elementary teachers' salaries for the period September 1 to December 31, 1986.

3. NET LONG-TERM LIABILITY REPAYMENTS

Of the net long-term liabilities outstanding of \$79,921,000, principal amounting to \$54,100,000 plus interest amounting to \$21,394,000 is payable over the next five years as follows:

DOLLARS IN THOUSANDS			
Year	Principal	Interest	Total
1987	\$14,519	\$ 6,120	\$20,639
1988	13,033	5,096	18,129
1989	11,384	4,145	15,529
1990	7,747	3,331	11,078
1991	7,417	2,702	10,119

4. DEBT CHARGES AND CAPITAL LOAN INTEREST

The revenue fund expenditure for debt charges and capital loan interest includes principal and interest payments as follows:

DOLLARS IN THOUSANDS		
	Elementary	Secondary
Principal payments on long-term liabilities	\$10,074	\$ 5,922
Interest payments on long-term liabilities	4,759	2,840
	14,833	8,762
Interest expense (earned) on temporary financing of capital projects	(10)	175
	\$14,823	\$ 8,937

5. UNFUNDED PENSION LIABILITY

In 1980, the School Board agreed to fund an amendment to the pension plan to improve retirement benefits for eligible non-teaching employees in the public school boards of Metropolitan Toronto. The cost, as calculated by independent actuaries, is being funded over fifteen years in annual amounts of \$2,681,000.

6. SICK LEAVE CREDIT GRATUITY

Under the sick leave credit gratuity plan, employees may become entitled to a cash payment upon retirement, upon becoming totally and permanently disabled, upon death, or in certain boards upon termination. The gratuity is based on one-half of the employee's accumulated unused sick leave credits and the statutory limits. The amount of the retirement gratuities paid in 1986 was \$13,916,000 and in 1985 was \$8,150,000.

It is estimated that the contingent liability associated with the accumulated sick leave credits for all employees amounted to \$116,243,000 at December 31, 1986. No provision has been made for the contingent liability with respect to the sick leave credit gratuity plan.

7. INSURANCE COVERAGE

In 1986 the Boards undertook to self-insure against property, automobile, and liability risks because of the conditions in the insurance market. Beginning in 1987, liability insurance is provided through the Ontario School Boards' Insurance Exchange, but the Boards remain effectively self-insured against property and owned automobile risks through the Metro Public Education Insurance Exchange.

8. NON-RESIDENT TUITION FEE EXPENSE

A liability for approximately \$1,854,000 may exist in respect of tuition fees for public school supporters of the area boards of education, who attended Roman Catholic secondary schools in Metropolitan Toronto, from September to December, 1986. This expenditure would result in additional legislative grant revenue of approximately \$73,000.